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# FINANCIAL TIMES

PUBLISHED IN LONDON AND FRANKFURT  
Monday April 9 1979

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## NEWS SUMMARY

### GENERAL

#### Amin's oil supplies halted

International oil companies were reported to have halted supplies to President Idi Amin's collapsing regime in Uganda as nearly all the Libyan troops supporting him left the country. About 1,000 Libyan soldiers were said to have been flown out from airports north of Kampala. The only troops still loyal to Amin are Nubians and Southern Sudanese.

#### Bomb suspects released

Four of the five men held in Dublin after a police raid have been released, reducing hopes of an early breakthrough in the hunt for Airey Neave's killers.

#### Sanctions urged

Egyptian Prime Minister Mos-tapha Khalil has urged Arab States to use their oil weapon against the West to win the return of occupied Palestinian lands from Israel, Cairo newspapers reported.

#### Italy arrests

Italian police arrested 25 extreme left-wingers in Padua, Milan, Turin, Rovigo and Rome. The arrests are believed to be connected with the kidnapping and murder of former Premier Aldo Moro.

#### Edict on priests

Pope John Paul issued Holy Week edicts in Rome, ordering a package of reforms. He is expected to disclose today what he intends to do about the continuing exodus from the priesthood in the Roman Catholic Church.

#### Nuclear denial

Pakistan has denied that its nuclear programme is aimed at developing atomic weapons, in response to the U.S. decision to cut aid to the country. But it refused to deny the development of a uranium enrichment capability.

#### Socialists split

The French Socialist Party emerged from its national congress in Metz deeply divided after failing to reach a compromise on several fundamental aspects of its policy programme.

#### Sabotage claim

About 500 black guerrillas have been trained in Angola to infiltrate South Africa as part of a renewed campaign of sabotage and subversion, according to Jimmy Kruger, South African Minister of Police.

#### Lever re-adopted

Harold Lever, the Prime Minister's economic adviser, was re-adopted as Labour's parliamentary candidate for Manchester Central, in spite of a move by local left-wing activists to oust him.

#### Briefly...

**ROADS** throughout South-East England were hit by flooding after a week-end of heavy rain.  
**FREDERICK ALLIS**, former City editor of the Daily Express, died, aged 64. Obituary, Page 6  
**FIVE** people, including two policemen, were killed in a gun battle which erupted after a four-car convoy was stopped for speeding in Illinois, U.S.

### BUSINESS

#### £1m cash plea to unions for Kirkby

LIQUIDATOR of Kirkby Manufacturing and Engineering has asked the Transport and General Workers' Union and the Amalgamated Union of Engineering Workers to consider putting up about £1m to save the co-operative from permanent closure. Back Page

EMPLOYEES at Aveling Barford, the construction equipment subsidiary which BL is trying to sell, have been told of moves to reduce overheads further—including staff cuts—because of continuing losses. Back Page

NATIONAL ENTERPRISE Board is considering further cash aid for Alfred Herbert to expand its output of electronic sections for numerically controlled machine tools. Back Page

BRITISH RAIL has produced a range of modified designs for its 150 mph Advanced Passenger Train as part of its effort to win Government sanction for bulk production. Page 4

#### Auditors face shares curb

AUDITOR'S beneficial shareholdings in public company clients will be banned under new guidelines to be issued by the accounting bodies. Holding major blocks of trustee shares could also be banned. Back Page

CONSUMER SPENDING surge in 1978 prompted a considerable rise in demand for shop property, and evidence shows that this demand is continuing according to the survey by Edward Erdman. Page 2

BRITAIN is seeking to sell 1,300 Christian tanks originally destined for Iran to any country willing to take on the cancelled £8.25bn order. India is considered a likely customer. Page 2

TOURISM last year left Britain's travel account of the balance of payments £887m in surplus, a £221m drop on the record £1,068m earned the previous year. Page 4

AIR EUROPE, Britain's newest airline, is to take delivery of the first of its 430m fleet of five Boeing 737 short-haul airliners. Page 6

### LABOUR

#### U.S. lorry strike peace bid fails

U.S. LORRY STRIKE moved into its second week after talks between the Teamsters Union and the employers failed to reach a settlement. Back Page

POST OFFICE workers are being advised by their union to accept through a branch ballot an 8 per cent plus other benefits pay offer, which would be worth 12 per cent this year and 13.3 per cent a year after consolidation of supplements in July. Page 6

ELECTRICAL power engineers will be urged by union leaders to support industrial action if necessary to restore adequate differentials to manual workers in the electricity supply industry. Page 6

THOMSON family has raised its bid for Hudson Bay Company for the second time—offering C\$37 (£15.47) a share for 75 per cent of the Bay's common stock. Page 31

WESTMINSTER PROPERTY Group had pre-tax losses of £26,599 for the year to last September 30, compared with profits of £87,000 the previous year. Page 30

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## A vote for Labour is vote against EEC - Benn

# Callaghan prepares all-out attack on Tory leadership

BY RICHARD EVANS, LOBBY EDITOR

The Prime Minister will today launch Labour's sustained assault on the Conservatives and the leadership of Mrs. Margaret Thatcher aimed at clawing back the formidable lead the Tories have gained at the start of the General Election campaign.

Labour strategists, although intensely relieved the outcome of the party battle over the manifesto last week, are perturbed at the scale of the task that now faces Mr. Callaghan and believe that all-out attack on the Tory leadership and policies gives the only hope of victory.

The party's tactic will be to carry the campaign into the Opposition camp by emphasising Tory weaknesses, particularly the potential impact of Conservative policies on jobs, prices and industrial relations, and to keep the pressure up for the three and a-half weeks to polling day.

Confirmation that Labour leaders also intend to make the European Community a priority issue to try to gain votes at the expense of the Tories came last night in a speech by Mr. Anthony Wedgwood Benn, Energy Secretary.

Mr. Benn did not advocate British withdrawal, but he went as close as he could following the hostile anti-market section in Labour's manifesto, and he blamed the market for many of the country's economic ills.

He told a Labour Party meeting in London: "A vote for the Labour Party in this election

will be a vote against the Common Market, as it now operates—and for moves to self-government within a wider Europe that co-operates together but cannot dominate, exploit or injure the people in the member states."

After launching Labour's daily Press conference in London this morning, Mr. Callaghan will fly to Glasgow in an attempt to hold Labour's crucial domination in Scotland. Later in the week, his packed schedule includes speeches in Manchester, Stockport, Ilford, Oxford and Gloucestershire—all areas where Labour must cling to its marginal seats.

The Conservatives, on the other hand, are increasingly confident they can win a clear majority on May 3 provided they maintain some control over the course of the campaign and prevent a panic reaction when the substantial opinion poll lead is whittled down, as on

Other election news Page 8 • Editorial comment Page 16

## Tories ready to consult TUC

By Christian Tyler, Labour Editor

THE CONSERVATIVES would consult the TUC about the extent of legislative reform on industrial relations if they won the General Election.

Talks would be held with the TUC, the CBI, and the police where appropriate, before amendments to the Trade Union and Labour Relations Act and the Employment Protection Act were drafted.

The Conservative manifesto to be published on Wednesday will not, therefore, attempt to spell out precise methods by which the party would deliver its promised reform on picketing and closed shop, or its disincentives to strike action and support for trade union "moderates."

Conservative leaders have been stressing that they do not intend to embark on this election campaign with the kind of framework that became the 1971 Industrial Relations Act.

Mr. James Prior, Shadow Employment Secretary, emphasised yesterday that the law had only a limited role in Tory plans for controlling the unions.

Specific

The party, he said, would not repeat the mistakes it made in 1971 when it tried to legislate across the board. This time it would only try to tackle specific issues, such as secondary picketing, by law.

Asked about Mrs. Thatcher's idea of holding a referendum should a Conservative government find itself in a head-on collision with the unions, Mr. Prior said this was an option which would have to be considered but his tone of voice suggested that he, personally, was less than enthusiastic about the proposal.

The Tories' manifesto will state the objectives and stress that many of the legislative reforms needed were promised long before the winter of disruption reinforced the party's conviction that "the union problem" was bound to be a major campaign issue.

But a number of detailed proposals have been prepared by Mr. Prior and his colleagues. At least two leading QCs have been advising the party on the

Continued on Back Page

# Iran violence feared after ex-PM's death

BY SIMON HENDERSON AND ANDREW WHITLEY IN TEHRAN

ISLAMIC REVOLUTIONARY Justice has restarted in Iran, and with it, fears of a new phase of widespread violence.

The execution by firing squad of Mr. Amir Abbas Hoveyda, the former prime minister and main architect of Iran's recent economic "miracle" was widely condemned yesterday by Western governments.

At least 29 people have died in the last few days—15 of them by execution, the others in a series of bombing and shooting incidents often unexplained but thought to be linked, among other things, to demands for Kurdish autonomy or for jobs.

Doubt is now cast on previous assumptions by observers that Mr. Mehdj Bazarzan's administration was taking over in importance from the revolutionary committees of Ayatollah Khomeini.

Mr. Amir Entezam, a deputy prime minister, said that Mr. Bazarzan approved of executions but that the Government had no prior knowledge that Mr. Hoveyda's trial had restarted and the revolutionary courts were not its responsibility.

The affair of Mr. Hoveyda, a trusted aide of the Shah described by Tehran radio as being responsible for 13 of the darkest years of Iran's history, became more macabre when his body disappeared yesterday from the mortuary.

His death was announced on Saturday, the day his trial was

set to re-open in public. Protests at the manner of the earlier hearing, held after midnight while Mr. Hoveyda was half-dressed from a sleeping tablet, had led to a three-week halt of all trials and executions.

At that time, apart from corruption and abuse of power, Mr. Hoveyda had also been accused of crimes against God. Supposed new regulations for the system of revolutionary courts published last Thursday, allowing a right of appeal, are now known to be largely false.

The courts, which restarted on Friday, have now sentenced 64 people to death for political offences. There have been no acquittals and more death sentences—including against two former senior generals—are thought to be imminent.

The note of retribution in the executions was in keeping with Ayatollah Khomeini's televised remarks last week that he had no time for lawyers and fair trials for the last regime's criminals. They should all be shot.

Terry Doherty in Paris adds: Mr. Hoveyda was interviewed in his prison cell by a French television crew a week ago and indicated at that time that he had no idea what the accusations against him were.

He said in the interview, made on March 28 and screened at the weekend, that he did not know what he would do about the conduct of his own defence. The servant of the Shah Page 2

## BL hopes pressure may bring quick end to strike

BY ALAN PIKE, LABOUR CORRESPONDENT

BL MANAGEMENT and union officials will know this morning whether a determined campaign to persuade the company's 8,500 skilled workers to ignore an unofficial strike call has been successful.

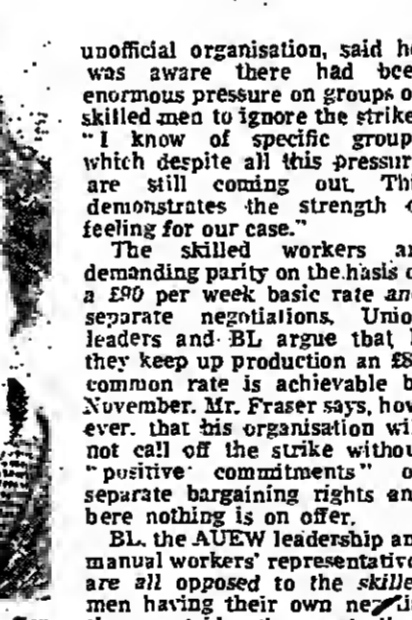
Since the unofficial BL United Cms Organisation issued its call for strike action in support of pay parity and separate negotiating rights, skilled men have come under intense pressure from both management and unions to remain at work.

The company has warned bluntly that a serious strike would have equally serious repercussions on the future of plants and job prospects.

Union officials in the Midlands claimed last night there were signs that enthusiasm for a long strike was continuing to fade, even in some of the plants where skilled men are expected to stay away today. They believe that enough skilled workers will ignore the strike call to lead to a quick, demoralised collapse of the action even in those plants where it does take place.

There is little doubt, however, that the strike will be supported at the Cowley body and assembly plants, the Rover factory at Solihull, the Castle Bromwich body works in Birmingham and some smaller factories. There are enough men enough to have a serious impact on production of Rover models and the entire Austin Morris range of the strike is prolonged.

Mr. Terry Duffy, president of the Amalgamated Union of Engineering Workers, yesterday



Mr. Fraser: nothing is on offer

added his voice to the appeals to the craftsmen to remain at work. "We are fully aware of the need for realistic pay differentials but every minute that the skilled workers lose in production makes it more difficult for us to achieve this objective," he said.

Government tolerance with BL would be exhausted unless the company kept working. "I urge all skilled workers to disregard this call from an unofficial body and stay at work," Mr. Roy Fraser, leader of the

## Final Times negotiations may involve conciliation service

BY ALAN PIKE, LABOUR CORRESPONDENT

NEGOTIATIONS during the next few days will be crucial in determining whether Times Newspapers publications appear again next week after an absence of four-and-a-half months.

Final plans for relaunching The Times, the Sunday Times and the three Times supplements are complete but some difficult industrial relations issues still have to be resolved. The Advisory, Conciliation and Arbitration Service will probably become involved in these this week.

Tomorrow the management will resume negotiations with national and office officials of the National Society of Operative Printers, Graphical and Media Personnel on one of the biggest remaining difficulties. This concerns NATSOPA's 540

unofficial organisation, said he was aware there had been enormous pressure on groups of skilled men to ignore the strike.

"I know of specific groups which despite all this pressure are still coming out. This demonstrates the strength of feeling for our case."

The skilled workers are demanding parity on the basis of a £90 per week basic rate and separate negotiations. Union leaders and BL argue that if they keep up production an £88 common rate is achievable by November, Mr. Fraser says however, that his organisation will not call off the strike without "positive commitments" on separate bargaining rights and here nothing is on offer.

BL the AUEW leadership and manual workers' representatives are all opposed to the skilled men having their own negotiations outside the centralised structure being developed in the company. But the craftsmen believe they will never achieve adequate differentials in a structure in which they are dominated by less skilled groups.

The AUEW executive will meet to consider the position tomorrow. As the strike call is this time being made to all craftsmen, and not only AUEW members, it could decide to seek a meeting with other unions to determine a common approach. It will also be presented with the question of whether any action against the unofficial leaders is appropriate under union rules.

issues, said Mr. Dixon, and even if progress continued he did not know whether it would be possible to finalise agreement on them all in time for the proposed resumption of publication tomorrow week.

It is possible that negotiations on outstanding issues will continue during Easter and right up to the proposed re-publication date. The company believes, however, that the talks will need to reach fairly firm conclusions by about Thursday if the target for Times appearing again on the Tuesday after Easter is to be met.

Times Newspapers suspended all publication on November 30 after failing to obtain union agreement on proposed industrial relations changes.

## The growing 'black' economy

BY DAVID FREUD

SUPPORT FOR claims that the "black economy"—or, tax evading—economy is growing comes in figures showing an extremely rapid increase in the circulation of high denomination bank notes.

Although prices more than doubled in the six years between 1972 and 1978 and consumer spending at current prices increased by 140 per cent, the use of big notes rose much faster.

The aggregate value of £10 and £20 notes in circulation rose by 470 per cent in the same period, and now represent slightly more than 40 per cent of the value of all notes.

Economists in the U.S. Internal Revenue Service believe that growth in large denomination currency is strong evidence of growth in tax evasion.

According to recent figures the self-employed spend much more money at every level of declared income than employees, who are taxed under Pay As You Earn.

The latest Family Expenditure Survey, covering 1977, shows that the self-employed with declared weekly net earnings of between £80 and £100 spent an average of £58-£60. Clerical workers in the same wage band spent an average £11-£17, or 16 per cent less. There is a similar contrast at other income levels.

Details, Page 16

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OVERSEAS NEWS

Agreement on SALT 'closer and closer'

By David Buchan in Washington THE U.S. and the Soviet Union are getting "closer and closer" to final agreement on a nuclear arms agreement, Mr. Anatoly Dobrynin, the Soviet Ambassador to the U.S., said after meeting Mr. Cyrus Vance, the Secretary of State, here on Saturday.

FRENCH SOCIALIST NATIONAL CONGRESS Mitterrand setback may damage Presidential hopes

By ROBERT MAUTHNER IN PARIS THE FRENCH Socialist Party emerged deeply split from its National Congress in Metz yesterday, after failing to reach a compromise on several fundamental aspects of its policy programme.

Fresh hint of Pakistan nuclear capability

By Chris Sherwell in Islamabad PAKISTAN'S military government all but confirmed yesterday that its current nuclear research programme includes the development of a capacity to enrich uranium.

AMIR ABBAS HOVEYDA Servant of the Shah

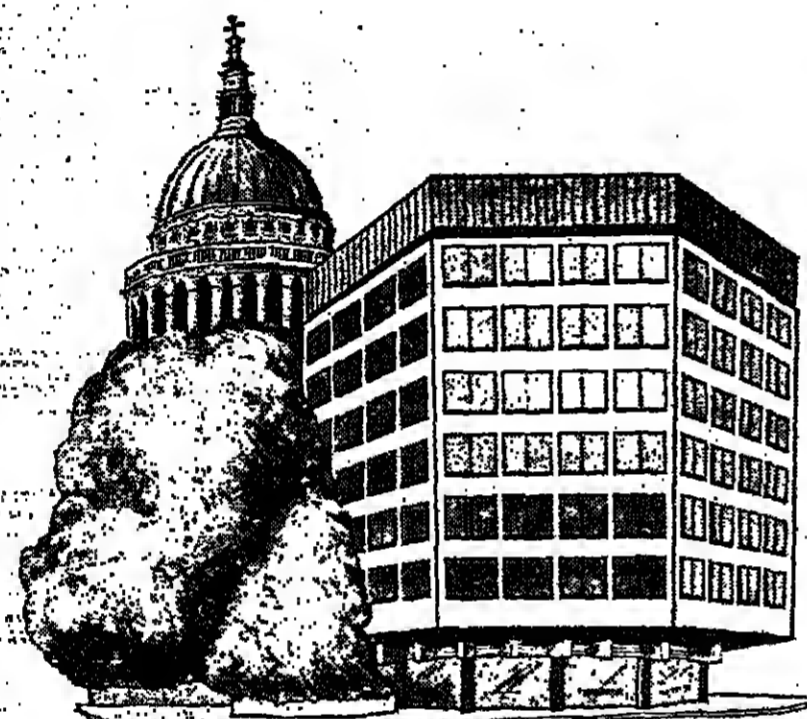
AMIR ABBAS HOVEYDA was Iran's Prime Minister for 13 years. He was regarded as the architect of his country's rapid industrial expansion.

Cancelled Iran order for tanks may go to India

By SIMON HENDERSON IN TEHRAN BRITAIN IS HOPING to sell 1,300 Chieftain tanks originally destined for Iran to any country willing to take on the cancelled \$1.2bn (£650m) order, and a prima customer looks like being India.

'Agents' blamed for bombing

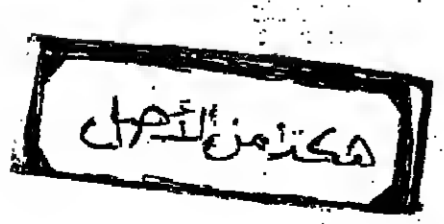
By TERRY DODSWORTH IN PARIS A BOMB attack on nuclear power station equipment under construction near Toulon in southern France is more likely to have been the work of foreign agents than ecological groups, according to M. Paul Blanc, the local mayor.



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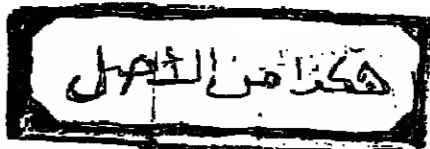
Bank of Boston House, 5 Cheapside, London EC2P 2DE (Tel: 01-236 2388). Also at: 31 Lowndes Street, Belgraveia, London SW1X 9HX (Tel: 01-235 9541).

South Africa warns of new terror campaign

By QUENTIN PEEL IN JOHANNESBURG SOME 600 black guerrillas have been trained in Angola to infiltrate South Africa as part of a renewed campaign of sabotage and subversion.

Shelling in Kampala

NAIROBI — Heavy fighting toward Entebbe to meet a colleague. They were identified as Gordon Parrott, head of Atlas Tower Construction Company, and Sven Sorensen, a partner in Bitumastic Ltd.



# Singapore airlines places £69m Airbus order

SINGAPORE AIRLINES (SIA) has placed an order for six A300-B4 aircraft with Airbus Industrie costing more than \$310m (£69m) including spare parts and related equipment. Peter Lee writes from Singapore.

The order reverses an earlier decision made in 1976 when SIA opted to buy the smaller capacity Boeing 727 instead of the Airbus. Explaining the reasons for the change, SIA said "their environment had altered since the Airbus was first produced. Both Airbus Industrie and the aircraft," an airline spokesman said, "has now built up an impressive record particularly in Europe and Asia. New system and technological advancements have been incorporated into the aircraft."

Moreover, most of Singapore's neighbours already have the Airbus or will soon be taking delivery of it, thus making it easier for SIA to introduce the aircraft to its fleets and operate it in its region.

The purchase of the Airbus has surprised other airline

circles in view of the anticipated detrimental effects of Australia's new International Civil Aviation policy (ICAP) on SIA's traffic growth and the fact that SIA has already several other new aircraft on order.

In May last year, SIA announced the order of 10 Boeing 747 aircraft costing more than \$900m. The airline also has four Boeing 727s still to be delivered.

SIA disclosed that the first two A300-B4 aircraft should be delivered in April 1981 and subsequent ones in 1982 and 1983. It has also been given an option to buy two more of the aircraft for delivery in February 1984.

The SIA Airbuses will seat 246 passengers compared with 136 on its Boeing 727 and will be deployed on its service to Bangkok, Jakarta, Hong Kong, Manila, Madras and Colombo.

## S. Koreans buy Boeings

SEoul-KOREAN AIR Lines has confirmed that it will sign a contract in Washington this week to buy ten Boeing 747 jetliners.

KAL, the South Korean flag carrier, said that its president, Mr. Cho Chong-Hoon, who is participating in a South Korean buying mission to the U.S. is scheduled to sign the contract, reportedly valued at \$70m, tomorrow. A KAL spokesman said that the order will cover part of the airline's planned purchase 18 Boeing 747 jetliners primarily for its just-

### SHIPPING REPORT

## Sharp rise in rates for oil tankers

By Our Shipping Correspondent

A WEEK ago brokers were talking of "unpredictable" oil tanker markets. Certainly the sharpness of improvement in rates last week was surprising.

There was a high volume of business and very large crude carriers loading in the Gulf received worldwide 40 for western voyages and WS 45 for Japanese discharge.

This is a full 7 points better than a week earlier, but still not up to the WS 50 achieved in the excited period before last month's OPEC price-fixing meeting.

Faced with a market pattern contrary to the usual laws of supply and demand (there were still over 22m DWT of tanker tonnage laid up at the end of March) brokers are relying on the usual theory that oil companies have been caught restricted by very specific delivery schedules, in order to explain their willingness to pay more for the right ship at exactly the right time.

General supply and demand laws were prevailing last night in tanker markets outside the Gulf, and rates fell steadily in the Mediterranean and the Caribbean.

There is still a healthy level of period charter inquiry, and last week BP took two vessels. For one a 156,000 DWT motor tanker, the company paid \$2.00 per ton for a two-year charter. This is equivalent to WS 49.5 on today's bunker prices.

In dry cargo markets, owners are continuing to enjoy firm rates in most areas, also being underpinned by steady period inquiry.

Rates are between 50 per cent and 100 per cent better than a year ago.

Nor is there any sign of slackening in second-hand ship trading. A four-year-old 139,000 dwt oil tanker was sold last week for \$16m, which is a 50 per cent improvement on the figure being quoted for the same ship last year.

In the North Sea, the broker Eggar Forrester is predicting a shortage of drilling rigs, with a consequent transfer of some accommodation units back to their former drilling functions.

Unfortunately for shipowners operating supply boats, the broker believes that with 14 supply vessels over 5,500 bhp available against only five rigs, these boats could be in oversupply this summer.

### FRENCH WINES AND SPIRITS

## Time for a modest celebration

BY DAVID WHITE IN PARIS

FRANCE'S PURVEYORS of alcoholic beverages to the world have completed their recovery from the depression imposed on them five years ago by the crisis of that less noble liquid, oil.

Current prospects for wine and spirit exporters are for a slower rate of growth from now on—but they can hardly complain about the 63 per cent rise in foreign exchange earnings that has taken place over the last two years.

Exports in 1978 touched FFr 10bn (£1.1bn), compared with FFr 7.6bn in 1977 and FFr 6.2bn in 1976. After accounting for France's intake of other people's tipples, especially British whisky and Italian wine, the biggest surplus has increased by two-thirds to FFr 8bn.

Although this record is of passing importance in France's overall export figures, where wines and spirits make up only 3 per cent, it is crucial to the farm sector, the remainder of which struggled last year with a foreign trade deficit of some FFr 7bn. Also to the producers, who have had to face up to the fact that the French, while still drinking a lot, are drinking less and less.

The Trade Body—the soberly-named Export Trade Syndicate for the Wines, Ciders, Spirits and Liqueurs of France—is not as happy about the performance as might be expected.

"We must moderate our enthusiasm," warned M. Gerald de Geoffre, the group's president. "These results were achieved in an environment of supply problems—particularly acute for 'appellation controlée' wines—fierce competition and financial charges which allow only the most vigorous companies to pursue their development, while many see their margins and their self-financing possibilities reduced to zero."

Other clouds hang over the future, the biggest being "rising protectionism and fiscal barriers in EEC countries. The trade is also acutely aware of how vulnerable it is to the world's economic moods. But it can count on a wide range of markets and on new layers of consumers."

protectionism and "the accumulation of fiscal barriers in EEC countries." The trade has also become acutely aware of how vulnerable it is to the world's economic moods.

On the other hand, it can count on a wide range of markets—and on "new layers of consumers" in many export volumes.

Three countries—Britain, West Germany and the U.S.—dominate France's wine and spirit export table, all with purchases in the range of FFr 1.4bn to FFr 1.5bn. But the placing of clients varies greatly from year to year and from product to product.

The West Germans and Belgians, for instance, are the biggest imbibers of cheap French wine; the British are the biggest sippers of cognac; the

were back on the upward curve of pre-1973 days. Over the last 30 years France's consignments of champagne have risen an average 11 per cent a year.

Claret: High prices have discouraged foreign buyers, and according to M. Hubert Galvet, a leading Bordeaux wine merchant, they were the main reason for last year's drop in export volume. But earnings reached a record FFr 1.38bn; and more of the total 164.1m bottles of exports was actually exported in bottles rather than in the cask.

Burgundy: Exports have doubled in 14 years to 109m bottles last year—35 per cent of the total Burgundy and Beaujolais output. Earnings were the highest ever at FFr 1.28bn, only slightly lower than Bordeaux.

The rest: Other appellation controlée wines, headed by

Among the spirits, Cognac consolidated its unassailable position, thanks to over FFr 200m spent on advertising last year and a record crop. Exports totalled FFr 2.55bn; Cognac can claim to be France's most exported product—30 per cent of the total goes abroad. Liqueurs appear safe from climatic or economic accidents, with a steady increase in exports to FFr 445m worth last year. But they are not safe from import barriers—bans, levies, quotas and restrictive rules, which can only be got round by shifting production facilities abroad.

The GATT multilateral trade talks have produced one important breach in the discriminatory wall—a provisional pledge by the U.S. to end the "wine gallon assessment", which penalised imported spirits. But overall the protectionist picture is still a sombre one.

"The limit of what can be tolerated has been passed in many countries, where the customs and tax situation is equivalent to prohibition..." M. de Geoffre warned.

The security of France's big domestic and European markets is, meanwhile, in some danger with the prospect of Spanish EEC entry. But while EEC enlargement is a looming issue among growers of ordinary wine in the south of France, trade spokesmen adopt a free-market, "let the best man win" stance.

The question of Spanish prices will require some careful negotiation, but the trade is unwilling to advocate protectionism at the home while attacking it abroad. France is already the biggest market for Port and one of the biggest for Scotch. It may be one of the biggest for Spanish wine. But the major wine businesses are hoping to turn this to their advantage, and to use the inflow of cheaper wines as leverage to improve local quality and to push the bottom range of French wines further up-market.

### Clouds still hang over the future, the biggest being rising protectionism and fiscal barriers in EEC countries.

Belgians vie with them as top claret drinkers. But in Burgundy both are displaced as clients by Switzerland and the U.S. Ireland bought as much Burgundy last year as Japan. Britain and Italy tie for top place in the champagne stakes, but the Italians buy their bubbly more cheaply.

French wine exports break down into four main categories, each accounting for about a quarter of the total:

- Champagne: This "hit of France's presence abroad", to quote the export syndicate, had a bad time of it during the oil crisis. Export revenues, however, have been rising steadily since reaching rock-bottom in 1975, and last year were more than double that level at FFr 1.28bn. In volume, exports

### Cotes du Rhone, have hit the big-time export market relatively recently, which explains the sharp growth figures—a three-fold volume increase and more than an eight-fold earnings increase in the past 10 years.

The volume of exports last year stagnated at 152m bottles, but their value was some 28 per cent up at FFr 865m. In other categories, the cheaper kinds of wines were hit by competition, especially from Italy. Exports were 23 per cent lower in terms of bottles but 12 per cent up in terms of francs.

Dessert wines and Vermouths, not a French forte, had a 5 per cent growth in foreign business, and exporters complain they could do more with these products were they less heavily taxed in France.

### Wine exports break down into four main categories, each accounting for about a quarter of the total:

Champagne: This "hit of France's presence abroad", to quote the export syndicate, had a bad time of it during the oil crisis. Export revenues, however, have been rising steadily since reaching rock-bottom in 1975, and last year were more than double that level at FFr 1.28bn. In volume, exports

## UK invisible surplus drops

BY OUR FOREIGN STAFF

BRITAIN RECORDED a balance of payments surplus of £1.4bn in invisibles in 1978, the Department of Trade reports.

But while gross earnings for invisibles rose by 9 per cent over the previous year, to £1.7bn, this was more than offset by a 15 per cent rise in gross payments overseas to £1.62bn, mainly because of higher net contributions—\$455m—to the EEC. This reduced the 1978 surplus by £816m from the previous year's level.

There was also some deterioration in net earnings from sea transport and travel. The 1977 surplus of £21m in the sea transport account was turned into a deficit of £292m in 1978.

In the civil aviation sector, credits increased by nearly 20 per cent in 1978 due mainly to the success of UK airlines in winning business. Debits, increased by 16 per cent and the net surplus on civil aviation rose by 287m to £531m in 1978. The balance from travel, however, slipped by £221m from a 1977 peak of £37m, indicating

a levelling off in the number of visits by overseas residents. Debits in travel rose by nearly a third, reflecting an increase in both the number of visits made abroad by UK residents during the year and increase in expenditure per visit.

A balanced flow of earnings from financial services, pushed earnings £56m higher to £1.4bn during the year. The key exception was in commodity trading, which declined in earnings by about £35m.

There was a surge of £160m in the surplus on interest, profits and dividends which brought the 1978 figure to £552m. Interest payments on the higher level of overseas holdings of gilts and on the large net borrowing from the European Investment Bank during the year accounted for a large part of the increase.

In sea transport debit payments for dry cargo rose by 12 per cent as overseas operators increased their share of the market of cargo imported into the UK. While debit payments for tankers fell by 10 per cent,

reflecting less oil imports into the UK, receipts from tanker shipping fell by 15 per cent, as reduced activity by UK operators reduced earnings from cross voyages.

Earnings from the overseas operations of UK oil companies showed a slight decline in 1978, largely because UK oil companies experienced stock losses as the sterling price of oil fell. At the same time, earnings of foreign oil companies from their direct investments in the UK rose in 1978, but at a rate lower than expected because of the failure to reach planned production levels in the North Sea.

The net surplus for the private and public corporations, excluding oil, fell by £73m to £1bn in 1978 with little change shown in the earnings of UK companies' direct investment overseas and foreign companies' earnings in the UK.

The Trade Department attributes this lack of growth to sluggishness of industrial production in the UK and other industrial countries.

## Soviet tyre plant deal

TOKYO — MITSUBISHI HEAVY INDUSTRIES and Makewa Trading have jointly won a ¥15bn (£34m) tyre manufacturing plant contract from the Soviet Machinery Import Corp.

The plant, designed to manufacture giant rubber tyres for construction vehicles, will be built at Bobruysk in Belorussia. The plant is expected to be one of the largest in the world.

Meanwhile Creusot-Loire and Mannesmann - Demag - Meer have signed a contract to supply the Soviet Union with a factory to produce extruded steel tubes.

Philip Morris and Soviet trade officials have signed agreements providing for the continuation of the manufacture of Marlboro cigarettes in the USSR and for technical cooperation. Agencies

## World Economic Indicators

Country	RETAIL PRICES				% Change over previous year	Index base year 1970=100
	March '79	Feb. '79	Jan. '79	March '78		
W. Germany	149.2	148.2	147.1	144.5	2.3	1970=100
Italy	144.5	142.2	139.5	127.2	12.4	1976=100
Japan	123.0	123.4	123.2	120.1	2.0	1975=100
France	211.1	209.7	207.6	191.7	10.1	1970=100
Belgium	131.3	130.9	130.1	126.4	3.9	1975=100
U.S.	207.1	204.7	202.9	188.4	9.9	1967=100
UK	208.9	207.2	204.2	190.6	9.6	1974=100
Holland	122.9	122.2	121.5	118.0	4.1	1975=100

# Announcing the launch of the Firestone S-211.

## Designed to answer the demands of today's motorist.

Today's motoring demands more of a tyre than ever before. That's why the new Firestone S-211 was built to answer all the questions you can ask of it. To this end, it has not one special feature like many other tyres marketed today. Instead it has eleven. Whatever you ask of a tyre, here is the answer.

- Straighter Sidewalls give quicker response and better lateral stability.
- High Modulus Tread Compound gives excellent wet and dry traction.
- Wide Arc gives low wear rate.
- Double Tread Radius gives high speed durability.
- Stress-free Cord Path gives long term body durability.
- Decoupled Sidewall gives outstanding ride and comfort.
- Balanced Groove to Rib Ratio gives outstanding resistance to aquaplaning.
- Unique Tread Element Sequencing gives low noise emission.
- Advanced Steel To Rubber Bonding gives good retreadability.
- Optimum Footprint Pressure Distribution gives Uniform Wear Rate.
- Ultra-modern Design Concept gives exciting appearance.



## Firestone S-211

If every tyre were as good, you wouldn't have to ask questions.

UK NEWS

British Rail modifies advanced train design

BY IAN HARGREAVES, TRANSPORT CORRESPONDENT

BRITISH RAIL has produced a range of modified designs for its 150 mph Advanced Passenger Train as part of its effort to persuade the Government to... A joint British Rail-Government working party is studying the... The new APT design will be... The review will support the case... It is unlikely that the most... to electrify almost 3,000 miles... The new APT design will... make... even the use of third... power as on Southern... By shortening the train... it would also be possible to operate with a single front-end power car... with a maximum speed of 125 mph... rather than the prototype's... twin central power cars... In going for this flexibility... British Rail is admitting that... the APT will not in fact run at... 150 mph in the foreseeable future... With a single power car... 125 mph is the maximum speed... possible, and even with twin... power cars tests have shown... that the extra 25 mph, saving 12... minutes on the London-Glasgow... run, does not justify the higher... fuel costs... When APT does appear on... London-Glasgow, it will reduce... the journey time from 3.10 to... 2.40 hours... Future trains would... probably appear first on other... West Coast routes such as... London-Manchester... The new... designs open up the prospect of... APT on relatively minor routes... such as the Frase-Pennine rail-... way or London-Bournemouth... The government's alternative... to the APT programme is to... extend the life of the diesel... only 125 mph high speed train... (HST) now in service on... London-South Wales and the... East Coast main line...

Britain has £857m. surplus from tourism earnings

FINANCIAL TIMES REPORTER

A HEALTHY year for UK tourism in 1978 left the travel account of the balance of payments in surplus by £857m, a decrease of £221m on the record £1,078m earned in 1977... Department of Trade figures indicate that UK residents are spending more time and money abroad, and the trend seems to be growing... In 1978, they spent £1,466m on 12.8m overseas visits, a 33 per cent increase in spending over 1977... Visitors to the UK brought in £2,323m on a record 11.7m visits, a 2 per cent increase on the Jubilee year, and a 7 per cent increase in spending... The increase in UK visits abroad is mainly in holidays, rather than business visits... The biggest increases were in visits to Yugoslavia (52 per cent), Greece (28 per cent), Portugal (21 per cent), Switzerland (19 per cent), and the U.S. (36 per cent)... Business visits abroad rose by only 1 per cent... UK visitors inside the EEC spent £32m, 30 per cent more than in 1977... Visitors to North America spent £153m, a 39 per cent increase on 1977... The number of visitors from the EEC actually fell by 1 per cent, and those from other Western European countries fell by 3 per cent... Significant increases were recorded in visits from Eastern Europe (39 per cent), Greece (19 per cent), New Zealand (15 per cent), Sweden (15 per cent), the Middle East (13 per cent), South Africa (10 per cent) and the U.S. (9 per cent)... Major decreases were recorded in visits from Norway (24 per cent down) and Austria (18 per cent down)... UK visitors arriving by air increased by 4 per cent, those arriving by sea decreased by 3 per cent... Whereas business visits inside the UK, and visits by friends and relatives, increased, fewer people came to tour... EEC visitors spent £636m, Western Europeans £313m, North Americans £476m, and visitors from other areas £370m... The trend is for more UK residents to take second and winter sporting holidays, and UK tourism abroad in the first three months of 1979 is expected to show a significant rise over the 1978 level...

Burglar alarm sales up

BY JAMES McDONALD

LOSSES FROM house burglaries and thefts from industrial premises last year totalled £32m - 20 per cent more than in 1977... And with efficient alarm systems driving thieves from offices and factories, they are increasingly concentrating on households... Last year, Britons installed 7,000 intruder alarms in their homes - 124 per cent more than in 1977 but still well behind the growth in burglaries and a long way behind the 750,000 systems the National Supervisory Council for Intruder Alarms believes is needed... The council was established in 1971, supported by the Home Office, police forces, insurance companies and the security industry... It aims to improve the standard of service, equipment and maintenance in the installation of intruder alarm systems, and to reduce the high incidence of inefficiently maintained false alarms... Reliability While alarms can be expensive, in the region of £250 upwards, it is argued that this offsets the loss of large sums of money or valued possessions and they also reduce the fear of theft or burglary... To eliminate the risks - in using "back-street" alarm installers who often do not carry out maintenance, the council keeps a roll of 110 reliable installers throughout the UK... Each checked for technical competence and experience, they are required to provide a 24-hour service, the council will check any installation certified by approved installers provided they are still enrolled when a complaint is received... Approved installers must also issue a certificate for each new installation... Since the council's formation, 6,940 were installed in the first 9 months of 1978, compared with 26,805 last year... Approved installers supply about 80 per cent of British needs...

Works managers rap Institute

BY JASON CRISP

A REPORT published by the British Institute of Management which criticised the part played by professional institutions in developing Britain's production engineers has enraged the Institution of Works Managers, which has just affiliated to the I.M. The report concluded: "The existing professional institutions have failed the country's production managers by concentrating on technological aspects of their jobs rather than the managerial without even satisfying the need for more engineering expertise..." Mr. Christopher Benson, director-general of the institution, described this as "nonsense" and said that his organisation's courses concentrated on the improvement of management skills... The first management courses of the four-year courses to qualify for membership of the IWM deal purely with managerial aspects of production management, such as finance, economics and human relations... Technology teaching was only a small element of later parts of the course, he added... Although the IWM is the main professional qualification for production managers - the institution boasts that its 20,000 members are responsible for over 3m people in productive industry - the British Institute of Management did not even consult it on this study, said Mr. Benson... "The I.M.'s attitude mirrors industry's own attitude to the production function. It is depressing that at the very time of our institution's affiliation to the I.M. it should make this misleading and inaccurate statement... To state that institutions have not achieved attractive career structures, educational standards, social esteem or associated financial rewards for their members is the final straw in an unconsidered and irresponsible statement," Mr. Benson added... The British Institute of Management, while refusing to comment because it had not seen Mr. Benson's statement, said: "We hope that we can get together with all the institutions and other parties concerned with production management so that we can make progress from the overall depressing situation revealed by the Advisory Panel on Management Education report..." The Career Development of the Production Manager in British Industry...

U.S. launch for Twiflex

TWIFLEX COUPLINGS, a subsidiary of Shephard Engineering, has launched a new company to market its industrial disc brakes and power transmission couplings in the U.S... The new company, Twiflex Corporation, based in New York State is a wholly owned subsidiary of Twiflex Couplings... Mr. H. Gunner, managing director of Shephard Engineering, has been appointed president of Twiflex Corporation... The vice-presidents are Mr. J. H. Dawson and Mr. D. Bauer... TWIFLEX COUPLINGS, a subsidiary of Shephard Engineering, has launched a new company to market its industrial disc brakes and power transmission couplings in the U.S... The new company, Twiflex Corporation, based in New York State is a wholly owned subsidiary of Twiflex Couplings... Mr. H. Gunner, managing director of Shephard Engineering, has been appointed president of Twiflex Corporation... The vice-presidents are Mr. J. H. Dawson and Mr. D. Bauer...

Tourism

Major decreases were recorded in visits from Norway (24 per cent down) and Austria (18 per cent down)... UK visitors arriving by air increased by 4 per cent, those arriving by sea decreased by 3 per cent... Whereas business visits inside the UK, and visits by friends and relatives, increased, fewer people came to tour... EEC visitors spent £636m, Western Europeans £313m, North Americans £476m, and visitors from other areas £370m... The trend is for more UK residents to take second and winter sporting holidays, and UK tourism abroad in the first three months of 1979 is expected to show a significant rise over the 1978 level...

Two in three Londoners use private transport

LONDONERS do little more than a quarter of their travelling by public transport compared with two-thirds by private transport, mostly cars, it is claimed today... Mr. Andrew Warren, secretary of the Movement for London campaign, says that Government statistics on transport in the capital contradict the assumptions of many municipal leaders that public transport is the dominant mode of travel... "No less than 65 per cent of the mileage recorded by travellers in the bulkier area of London is by car, van, motor cycle or bicycle," Mr. Warren says... "This is an increase in the 'market share' of private transport, particularly cars, by 10 per cent over the past decade in London, from 55 to 65 per cent..." (The figure for public transport was 28 per cent)

European paper institute formed

A NEW body to provide statistical information on the European paper industry is to be formed... It will be called the European Paper Institute and a director is to be appointed shortly... The six-man partnership operates more than 60 subsidiary and associate companies throughout the world... These activities are based mainly on commodities, ranging from a share in a giant coffee estate in Brazil, a big stake in the English Association Investment Trust, and trading interests in sugar, cocoa, general produce, spices and cement worldwide... E. D. and F. Man has a strong historical connection with the wine and spirits trade... In 1788 it was granted the sole broking rights for rum and the supply of the traditional daily rum to the Royal Navy... In 1939 when the Government wanted to preserve grain supplies, an retailers turned to sugar to provide their basic spirit and for 10 years the spirit was imported by the group for the distillers... The link with wine and spirits trade languished when supply of the rum "rati" was ended in the early 1970s... However, a new subsidiary E. D. and F. Man (Victuals) is to launch Canus cognac and a wide selection of wines in the U.K... Canus is an established world name for cognac; it claims to be the biggest single duty-free selling brand... However, it has avoided the UK market because it fell unash to compete with the well established brands... Canus now feels in a strong enough position to gain a foothold in what is still the biggest export market for cognac in the world... It is likely to be a tough battle with an estimated 90 per cent of the market in "tied" outlets through special deals between the big breweries and individual cognac suppliers...

By Guernsey to Guernsey

A NEW Fokker F-28 jet aircraft belonging to the Dutch airline NLM was named "Island of Guernsey" on Saturday by Sir John Loveridge, head of the island government... NLM, a subsidiary of KLM Royal Dutch Airlines, started direct services last summer from Amsterdam and Rotterdam to Guernsey... The airline named the aircraft after the island because of the success of the new routes, on which capacity is being trebled this year... The Netherlands is now Guernsey's second most important tourist market...

Wine and spirit newcomers have Russian connection

BY JOHN EDWARDS

A RUSSIAN CONNECTION is behind the attempt by two newcomers to enter the UK wine and spirits trade... Camus Cognac, not known to the British as a duty-free brand, is to compete in the very competitive UK market and it has appointed E. D. and F. Man - the sugar broker - its UK agent... The link between the two companies was established because both have strong trading interests with the Russians... Camus is the French import agency for all Russian alcoholic drinks and also has exclusive selling rights of all French wines and spirits into Russia... E. D. and F. Man made its name, and fortune, by handling the huge Soviet purchases of sugar in 1974 when a world scarcity developed and market prices soared to all-time peaks... It has retained these connections but while retaining a powerful force in the world sugar market has diversified considerably... The six-man partnership operates more than 60 subsidiary and associate companies throughout the world... These activities are based mainly on commodities, ranging from a share in a giant coffee estate in Brazil, a big stake in the English Association Investment Trust, and trading interests in sugar, cocoa, general produce, spices and cement worldwide... E. D. and F. Man has a strong historical connection with the wine and spirits trade... In 1788 it was granted the sole broking rights for rum and the supply of the traditional daily rum to the Royal Navy... In 1939 when the Government wanted to preserve grain supplies, an retailers turned to sugar to provide their basic spirit and for 10 years the spirit was imported by the group for the distillers... The link with wine and spirits trade languished when supply of the rum "rati" was ended in the early 1970s... However, a new subsidiary E. D. and F. Man (Victuals) is to launch Canus cognac and a wide selection of wines in the U.K... Canus is an established world name for cognac; it claims to be the biggest single duty-free selling brand... However, it has avoided the UK market because it fell unash to compete with the well established brands... Canus now feels in a strong enough position to gain a foothold in what is still the biggest export market for cognac in the world... It is likely to be a tough battle with an estimated 90 per cent of the market in "tied" outlets through special deals between the big breweries and individual cognac suppliers...

NEW FRONTIERS IN OFFICE AUTOMATION

Infotech State of the Art Tutorial and Conference Vienna 23-24 and 26-27 April 1979... Computers, telecommunications and modern office services are converging to open new frontiers in office systems... Executives, line managers and office workers are beginning to have powerful interactive computer-aided tools as the result of the converging new technologies... Bring your team to this conference, where world leaders in the field will review the state-of-the-art in office automation and the implications for your organisation... Telephone for full details: INFOTECH INTERNATIONAL LIMITED, Nicholson House, Nicholson Road, Barking, Telephone 0628 35031, Telex 047579.

Hill Samuel Base Rate

Hill Samuel & Co. Limited announced that with effect from the close of business on Monday, April 9, 1979, their Base Rate for lending will be reduced from 14 per cent to 12 per cent per annum... Interest payable on the Bank's Demand Deposit Accounts will be at the rate of 9 per cent per annum... Hill Samuel & Co. Limited, 100 Wood Street, London EC2P 2AJ, Telephone: 01-628 8011

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ISSUED BY THE HOME OFFICE, THE SCOTTISH HOME AND HEALTH DEPARTMENT AND THE NORTHERN IRELAND OFFICE

VOTING BY POST

Applications must arrive by Thursday 19th April

If you cannot vote at the Parliamentary and District Council Elections at your polling station on 3rd May you may be entitled to vote by post... The main grounds on which you can apply to do this are:- 1 If you are ill, disabled or blind. 2 If you will be away from your home address on polling day because of the general nature of your job (but NOT because you are on holiday). 3 In the Parliamentary Election only, if you have moved to an address in another electoral division since 10th October 1978 (15th September in Northern Ireland).

If you think you qualify for a postal vote on any of these grounds, the Electoral Registration Officer for your London Borough or District whose office is usually at the town hall or council offices can give you the proper form to apply for a postal vote, a franked envelope in which to return it and any information or advice you need... You can, however, for convenience use one of the forms below, but it must be delivered to the Electoral Registration Officer for the London Borough or District in which you are registered, preferably by first class mail (9p stamp) or by hand, not later than Thursday, 19th April... If you wish to apply on other grounds (such as religious observance, or because a sea or air journey is needed to get you from your home to your polling station, or as a postal proxy voter) ask the Electoral Registration Officer for a special form... If you were granted a postal vote before or since the last election you may be able to vote only by post and a ballot paper will be sent to the address you gave for this purpose... If you want to make any change inform the Electoral Registration Officer for the London Borough or District in which you are registered as an elector... There is no postal voting from overseas... If you will be at sea or out of the U.K. on polling day because of your job, you may be entitled to appoint a proxy to vote for you... Ask the Electoral Registration Officer for Form RPF10A... If you are serving in the Armed Forces in the United Kingdom ask your unit for a form... Wives or husbands of members of the Armed Forces living in the United Kingdom may also obtain forms from units... In case of difficulty they may apply to the Electoral Registration Officer.

PRINT CLEARLY IN BALLPOINT PEN - GIVE FULL POSTAL ADDRESSES - APPLICATIONS MUST BE SIGNED - USE A SEPARATE FORM FOR EACH PERSON - BE CERTAIN TO USE THE CORRECT FORM - DO NOT APPLY FOR MORE THAN ONE REASON - DIRECT ANY QUERIES TO THE ELECTORAL REGISTRATION OFFICER

Form 1: If you think you qualify under 1 or 2 above apply on this form. Representation of the People Acts, European Assembly Elections Act 1978. Application to be treated as an absent voter for an indefinite period. (Occupation or physical incapacity) 1. Name, block letters. 2. Other names, block letters. 3. I am qualified to be registered as an elector for (address, postal, block letters). 4. I apply to be treated as an absent voter at Parliamentary, European Assembly and local government elections because I am likely to be unable to go to the polling station (a) when I (or I) below apply, to vote unaided (b) by reason of the general nature of my occupation, service or employment as... 5. I (or I) below apply, to vote unaided (b) by reason of the general nature of the occupation, service or employment of my (husband/wife as... and my resulting absence from my qualifying address until... to be with my (husband/wife... (b) by reason of blindness (in respect of which I have been registered as a blind person by the... Council) (c) by reason of physical incapacity... Signed... Date... Address in the United Kingdom to which ballot paper is to be sent (if different from address given above). 1 Block letters.

Form 2: If you think you qualify under 3 above apply on this form. Representation of the People Acts, European Assembly Elections Act 1978. Application to vote by post owing to change of residence. 1. Name, block letters. 2. Other names, block letters. 3. I am registered as an elector for (old address, full, block letters). 4. I apply to be treated as an absent voter at Parliamentary and European Assembly elections because I no longer reside there. My new address is (new address, full, block letters). 5. I (or I) below apply, to vote unaided (b) by reason of the general nature of my occupation, service or employment as... Signed... Date... NUTS If I (or I) below apply, it (or I) will continue in force for all Parliamentary and European Assembly elections so long as I remain registered for my old address. (2) Temporary absence on holiday, does NOT constitute a change of residence. Send this form to the Electoral Registration Officer for the London Borough or District in which you are registered. Mark the envelope "1st class post - Election Material".

Electoral Registration Officer in England and Wales; Electoral Registration Officer for the Region or Islands Area Council in Scotland; Deputy Returning Officer in N. Ireland.



# TOP OF THE LEAGUE

هكذا من العمل

Vehicle production in Britain in 1978	
<b>BL</b>	<b>743,103</b>
Ford	430,879
Chrysler	214,098
General Motors	201,484

Source SMMT

Exports in 1977 (Latest available Industry figures)	
<b>BL</b>	<b>365,128</b>
Ford	221,983
Chrysler	132,963
General Motors	70,714

Source SMMT

## HOME & AWAY.

BL is far and away Britain's leading motor manufacturer. We make almost as many vehicles as the whole of the rest of the motor industry in Britain. From Minis to 240 ton special purpose trucks.

And remember, nearly 30% of the vehicles the other major manufacturers sell in Britain are shipped in from overseas.

Unlike BL.

96% of our home sales are vehicles made in Britain.

We don't just make British.

We also buy British. Our purchases in Britain in 1978 were around £2 billion. Far more than any other UK-based motor manufacturer.

So much for our home record. Our record away is pretty impressive too.

Export statistics for the industry in 1978 are not yet available.

But our own export earnings of £910 million show that over 40% of the vehicles BL made in Britain last year were sold abroad.

And when you subtract our imports from our exports, you'll find we're Britain's biggest foreign currency earner.

And this, in a country that stands or falls on its exports.

So let's not forget.

A large successful British motor industry is fundamental to Britain.

We're large.

We're certainly British.

And we're on the way to being successful.

 **BL Limited**

# Air Europe gets first Boeing

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE UK's newest airline, Air Europe, takes delivery in Seattle today of the first of its £20m fleet of five Boeing 737 short-haul jets. It is due to arrive at Gatwick on Wednesday.

The line has been set up primarily as a holiday tour operator by Mr. Harry Goodman, chairman of Intasun, one of the UK's biggest tour organisers he is chairman of the new enterprise.

Major shareholders are Flagcraft—of which Mr. Goodman is the principal shareholder—and Airline Management Associates, whose own shareholders are Mr. Martin O'Regan and Mr. Errol Consey.

Mr. O'Regan is the chief executive of Air Europe and Mr. Consey commercial director. Also on the board is Sir James Hill.

The line has its offices at Reigate, close to Gatwick, which will be its main base. It has already engaged 40 pilots out of over 500 applicants, and 80 cabin staff from more than 2,000 applicants. Eventually staff will exceed 200.

The first fare-paying passenger flight will be on May 4, to Palma, Majorca, with 30 holidaymakers. This year the



Air Europe's Boeing 737 to be delivered today

airline will carry more than 250,000 passengers on 2,100 round-trips between the UK and 29 holiday destinations in eight European countries, and all seats have been sold.

Air Europe is now selling seats for flights in 1980, and will soon start selling for 1981. For the current year the biggest client is Intasun, taking 45 per cent of the seats. The rest have gone to Enterprise Holidays, Exchange Travel, Inghams, Swans, OSL, Pontinental and Carousel.

The line is aiming for a turnover of £10m this year. The second of its Boeing 737s is due for delivery on May 4 and the third in early June, with the remaining two due in the spring of 1980.

# Bank warns on dangers of financial setbacks

By Peter Riddell, Economics Correspondent  
WARNINGS about the danger of euphoria in financial markets came over the weekend from a number of City analysts.

In its UK financial survey Barclays Bank Group economic department warns that after the cut in Minimum Lending Rate on Thursday "the point is being reached which leaves the market exposed to a reconsideration of the fundamentals."

"Although interest rates are likely to end the year below current levels, any further fall in rates would be unjustified until, in particular, a new Chancellor is able to demonstrate his ability to contain the public sector borrowing requirement."

Barclays says that if dollar interest rates were to rise sharply or if gilt-edged investors' appetites proved to have been satiated, or if the growth in advances were to continue, rates would move up again.

"Above all, sooner or later, foreigners are likely to take the view that the current exchange rate flatters any new Government's ability to bring about a significant improvement in our prospects quickly, especially in the case of reducing the size of the public sector borrowing requirement."

The review also warns about indications of a strong rise in bank advances, and several leading firms of stockbrokers share this concern. Brokers Joseph Sebag note that both bank lending and overseas inflows are pushing monetary growth above target. Therefore, the firm says, "a little more caution is necessary in the short-term, but our strategic stance, based on a belief in the gradual easing of economic expansion later in the year, remains essentially bullish."

# Haulage group sells to expand

THE Alltransport International Group, one of Britain's largest freight forwarders, has sold its Howe (European) haulage company to the Aston Cbinon Haulage Company of Aylesbury for an undisclosed sum.

But a service to West Germany will still be operated by an Alltransport subsidiary. The money from the sale will be used to expand the company's other activities.

# Accept 13% pay offer, postal workers urged

BY ALAN PIKE, LABOUR CORRESPONDENT

POST OFFICE workers are told by their union today that a pay offer which they are being urged to accept will stand examination alongside any other settlement made in the public sector.

The offer, consisting of an 8 per cent increase in basic rates and other improvements, is worth 13 per cent in the current financial year and 13.3 per cent a year after some consolidation of supplements has taken place in July.

Mr. Tom Jackson, general secretary of the Union of Post Office Workers, tells members in a publication explaining the offer that the impending General Election has influenced the union's executive in deciding to conduct a branch ballot now.

"In the opinion of the executive council it would have been wrong to gamble with our members' pay on the basis of a new government. When a new government takes office anything can happen and the UPW, like all unions with settlements pending, is seeking to have the settlement agreed before the change takes place."

Results of branch ballots on the offer will be known on May 1, just before polling day. The outcome is likely to be decided by postal workers' reaction to an efficiency scheme designed, among other things, to eliminate unnecessary overtime and permit part-time staff.

Mr. Jackson explains that during negotiations the Post Office management sought union agreement on the use of casual and temporary postal workers but the union had "refused point-blank" the introduction of casuals. However, the union agreed to consider the use of part-time workers in certain circumstances subject to a Post Office undertaking that its policy was to "take the postal service primarily by full-time career staff."

The advent of compulsory

Power men face action call on pay

By Our Labour Correspondent  
ELECTRICAL power engineers will today be urged by their union leaders to support industrial action if it is necessary to restore adequate differentials with manual workers in the electricity supply industry.

The Electrical Power Engineers' Association has an agreement which establishes a relationship between its members' pay and that of manual workers. This has, however, become eroded during recent pay policies, and the union claims there are indications that electricity boards want to revoke the agreement "irrespective of any government policy in order to compress differentials in the industry still further."

At the association's conference in York the executive will today urge delegates to support a motion declaring that the relationship with manual workers "cannot be allowed to deteriorate for a further consecutive year and that restoration of the differential is a major aim of association policy."

The association's claim for this year has been held back pending settlement of the manual workers' negotiations. They are now being consulted on an offer of 9 per cent plus consolidation of bonuses and an extra day's holiday.

The association is part of the wider Engineers and Managers Association, which has been involved in disputes with other TUC unions over its efforts to recruit members in the engineering and related industries.

union membership for UPW grades and the provisions of the Employment Protection Act, says Mr. Jackson, had nullified many objections to the use of part-time staff. It could no longer be claimed that they were cheap labour.

Under the proposed agreement it will be possible to use part-time staff to help meet the service commitments of an office "supplementary to the use of full-time staff and acceptable overtime."

The Post Office has agreed, however, to recruit no part-time workers who intend to remain in full-time work elsewhere. Priority will be given to enabling existing postal workers to opt for part-time employment between the ages of 60 and 65.

WORKERS AT Perkins diesel engine plant, Peterborough, yesterday barricaded the gates and prepared for an indefinite strike over pay.

The move came after 7,000 men walked out. Pickets took over the gates and sealed off entrances. Company lorries and vans were parked across the roads and the keys confiscated. Packing-cases, chains, strips of metal and wood were used to block gateways.

One picket said: "No one is going in until our claim is met—even if it takes six months."

The strike is unofficial. The men, mainly members of the engineering workers' union, are demanding pay parity with group workers in the Midlands in a package deal which would give them an extra £30 a week. A management offer of 3 per cent increase between £8 and £10 a week has been turned down.

The pay parity issue has been in dispute since 1973 when the plant was closed for a month with the loss of 40,000 engines. The company is the biggest employer of labour in the Peterborough area.

Perkins plant barricaded

its base rate will be

12% per annum

AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED  
(Incorporated in the State of Victoria, Australia with limited liability)  
71 Cornhill, London EC3R 3PR Tel: 01-623 7111

WESTERN AREAS GOLD-MINING COMPANY LIMITED  
ELSBURG GOLD MINING COMPANY LIMITED  
THE RANDFONTEIN ESTATES GOLD MINING COMPANY, WITWATERSRAND, LIMITED  
(All incorporated in the Republic of South Africa)

Due to industrial action by Customs and Excise employees, some members of the above companies will not have received the 1978 Reports and Accounts of the above-named companies. Shareholders are advised that the outstanding Reports and Accounts will be posted to them as soon as they are released by the Customs at Heathrow Airport. As previously advertised the Annual General Meetings of these companies will be held as follows:

Western Areas Gold Mining Company Limited 2nd May 1979 09.15  
Elsburg Gold Mining Company Limited 2nd May 1979 10.00  
The Randfontein Estates Gold Mining Company, Witwatersrand, Limited 9th May 1979 11.15

99, Bishopsgate, London EC2M 3XE. BARNATO BROTHERS LIMITED, London Secretaries.  
D. W. J. Phillips, Secretary.

9th April, 1979.

Coventry Economic Building Society  
Member of the Building Societies Association.

Extracts from the statement of the Chairman, Mr. W. R. HEATLEY  
Annual General Meeting 6th April 1979

EXPANSION AND RESERVES  
1978 was a year of substantial progress for the Society with assets increasing by £34.53m (16.37%) to a total of £245.41m. Reserves totalled £9.41m representing 3.88% of total assets.

INVESTORS  
Investors' balances increased by £34.2m to £230.88m and over 46,000 new accounts were opened bringing the total number to 245,805.

LIQUIDITY  
Cash and investments amounted to £39.9m, 16.29% of total assets, all available on demand or at short notice.

LENDING  
Advances during the year rose by 42% to £54.9m on 7906 mortgages.

BRANCHES  
During the year the Society opened branches at Chelmsley Wood, Hanley and Lye near Stourbridge. In addition the new administrative headquarters building in High Street, Coventry was completed and opened for business in December 1978.

Head Office:  
ECONOMIC HOUSE, P.O. BOX 9, HIGH STREET, COVENTRY CV1 5DN  
Telephone: 555255  
Authorised for investment by Trustees  
Branches and Agencies throughout the Country

# Businesses launch Euro-union

By Colleen Toomey

A EUROPEAN union for small businesses is launched in Rome today by representatives of centre-right political parties from 17 countries.

Mr. David Mitchell, a Conservative MP and chairman of the Small Business Bureau, heads a British delegation of 25 businessmen and will join in approving a manifesto for the European Medium and Small Business Union.

The union is to tackle problems facing small businesses in Western Europe through pressure groups within the centre-right parties and at the European Parliament.

"We see the union as a vehicle for co-ordinating pressure on behalf of small companies to defend their interests and to encourage the development of their enormous potential within the Western countries," said Mr. Mitchell.

"We will call for the formation of a small business committee within the European Parliament in the same way as the Conservative Party has established a small business committee over the past four years at Westminster," he said.

# Demand spurs rise in retail property rents

BY ANDREW TAYLOR

THE STRONG demand for retail properties experienced in 1978 is continuing this year, according to a property investment review.

Edward Erdman, the surveyor, says that the surge in consumer spending last year prompted a considerable increase in demand for shop property, and evidence suggests that this demand is continuing.

With good quality retail sites in prime areas in short supply, demand is spilling over even into third-rate towns, but only for well-located units where prospects of "above average growth may be anticipated."

The review says that the principal source of demand for prime shop property is still being generated by fashion retailers which with their large turnovers and relatively high profit margins "seem able to sustain the highest rental levels which these shops command."

In comparison, the market for secondary shops, particularly the larger units, have been dominated by discounters and concerns and discount retailers such as food and electrical stores. Erdman says that the strong demand for shop properties has

had a "dramatic" effect on rental levels. "There have been few good quality shop properties available in the face of considerable demand. As a consequence, substantial increases in shop rents have been experienced in the majority of big towns and cities."

"This applies in particular to prime shop property. Competition for these prime shops has been acute and the market has seen a number of tenders."

Erdman says that further rental increases can be expected, "certainly in the next quarter," although longer-term forecasts were difficult to make because of the coming General Election.

On property investment generally, the review says that institutional demand for property has continued unabated despite the current low yields of between 4.4 per cent for the highest quality shops and offices.

It says: "Prospective growth in rentals is the single most important factor which purchasers are examining and expecting to justify the yields which they are now paying for prime properties."

# OBITUARY

## Frederick Ellis

MR. FREDERICK ELLIS who, as City editor of the Daily Express for 20 years until 1968, did much to popularise the reporting of City and company affairs, died on Saturday after a long illness. He was 64.

His first job, was as a 10 shillings-a-week messenger on the Daily Express, in 1929 when he was 14. He moved into the paper's City office in 1930 and was afterwards City sub-editor in Glasgow and in Manchester.

After wartime service in the Royal Navy, Mr. Ellis was appointed City editor of the Daily Express in 1948, at the age of 32. In the succeeding two decades his reports helped to focus the attention of non-experts on financial developments. In the 1960s he introduced a City diary, Under the Clock.

He resigned the City editorship in 1968 and moved to the U.S. staff of the paper when he married his second wife, an American.

Mr. Ellis left the Daily Express in 1971 and was later a contributor to the City pages of the Sunday Telegraph.

# Deutsche Bank Aktiengesellschaft

(Incorporated in the Federal Republic of Germany with limited liability)

We are convening our Ordinary General Meeting this year on Wednesday, 16th May, 1979, 10.00 a.m. at the Jahrhunderthalle Hoechst, Pfaffenwiese, Frankfurt 80.

## Agenda

1. Presentation of the established Statement of Accounts and the Reports of the Board of Managing Directors and the Supervisory Board for the 1978 financial year

Presentation of the Consolidated Statement of Accounts and the Report of the Group for the 1978 financial year

2. Resolution on the appropriation of profits

The Board of Managing Directors and the Supervisory Board propose that the disposable profit of DM 187,223,822 be used to distribute a dividend of DM 9 per share of DM 50 par value.

3. Ratification of the acts of management of the Board of Managing Directors for the 1978 financial year

The Board of Managing Directors and the Supervisory Board propose that the acts of management be ratified for the 1978 financial year.

4. Ratification of the acts of management of the Supervisory Board for the 1978 financial year

The Board of Managing Directors and the Supervisory Board propose that the acts of management be ratified for the 1978 financial year.

5. Election of the auditor for the 1979 financial year

The Supervisory Board proposes that Treuhand AG, Wirtschaftsprüfungsgesellschaft - Steuerberatungsgesellschaft, Frankfurt/Main, be appointed auditor for the 1979 financial year.

6. Authorized share capital

The Board of Managing Directors and the Supervisory Board propose that the following resolutions be passed:

a) The Board of Managing Directors shall be authorized to increase the share capital by up to a total of DM 200 million with the consent of the Supervisory Board once or more than once until April 30, 1984 through the issue of new shares against cash payment. At such times pre-emptive rights shall be granted to the shareholders; the Board of Managing Directors is however authorized to except fractions from the shareholders' pre-emptive rights and also to exclude the pre-emptive rights in so far as is necessary to provide the holders of the Warrants from the 4 1/2% US-Dollar bonds with Subscription Rights of Deutsche Bank Compagnie Financière Luxembourg S.A. of 1977/87 with such pre-emptive rights to new shares as they would be entitled to upon exercising the Subscription Right.

The authorization issued at the General Meeting on May 11, 1977 to increase the share capital, DM 60 million of which has not yet been utilized, shall be cancelled.

b) § 4 (5) of the Articles of Association shall be amended to read as follows: "The Board of Managing Directors is authorized to increase the share capital by up to a total of DM 200 million with the consent of the Supervisory Board once or more than once until April 30, 1984 through the issue of new shares against cash payment. At such times pre-emptive rights shall be granted to the shareholders; the Board of Managing Directors is however authorized to except fractions from the shareholders' pre-emptive rights and also to exclude the pre-emptive rights in so far as is necessary to provide the holders of the Warrants from the US-Dollar bonds with Subscription Rights mentioned in subpara. 4 with such pre-emptive rights to new shares as they would be entitled to upon exercising the Subscription Right."

Shareholders entitled to participate in the General Meeting and to exercise their right to vote are those who have deposited their shares during normal office hours and in the prescribed form at a depository bank until the end of the General Meeting. Depository banks are those specified in the Bundesanzeiger of the German Federal Republic No. 63 of 7th April, 1979.

Depository banks in the United Kingdom are:

- Deutsche Bank AG, London Branch, 10, Moorgate, London EC2P 2AT.
- Midland Bank Limited, International Division, Securities Department, Suffolk House, Laurence Pountney Hill, London, EC 4.

Shares shall only be deemed deposited if they are lodged by 8th May, 1979, at the latest with either of the aforementioned depository banks or any other authorized depositories in the United Kingdom. In the United Kingdom entrance cards or forms of proxy will be issued by the afore-mentioned offices of Deutsche Bank AG or Midland Bank Ltd. to whom reference should be made.

With regard to the exercise of the voting rights we wish to draw your attention to § 18 (1) of our Articles of Association:

"The voting right of each share corresponds to its nominal amount. If a shareholder owns shares in a total nominal amount exceeding 5% of the share capital his voting rights are restricted to the number of votes carried by shares with a total nominal amount of 5% of the share capital. Shares held for account of a shareholder by a third person shall be added to the shares owned by such shareholder. If an enterprise is a shareholder, the shares owned by it shall include any shares which are held by another enterprise controlling, controlled by or affiliated within a group with such enterprise, or which are held by a third person for account of such enterprise."

5% of the share capital mentioned in § 18 (1) at present corresponds to a nominal amount of DM 52,006,645 = 1,040,132 shares of DM 50 par value. Frankfurt/Main, 7th April, 1979

The Board of Managing Directors

Handwritten signature: K. J. J. J.

# It relaxes you on the M6. Impresses you on the A38. Excites you on the B4012. And attracts admiring glances in Regent Street.

The quite exceptional car we refer to is the elegant and stylish Gamma Berlina you see pictured here.

To begin with, we have unashamedly spoilt the driver and his passengers. (In particular, it is our belief that if a driver lacks for nothing, he will feel more relaxed and alert, especially after long journeys.)

The interior is extraordinarily roomy. Thick pile carpet is fitted door to door. The roof is beautifully quilted. And the seats, which can carry five adults in extreme comfort are contoured and thickly padded. In addition, they have adjustable head-rests and are covered in an elegant and luxurious cloth fabric.

The steering wheel is adjustable, the windows electrically operated and the driver's seat can be adjusted for both height and tilt.

In terms of performance, especially on major roads, the Gamma is a thoroughbred Lancia. The powerful 2.5 litre boxer engine

gives impressive acceleration when you need to overtake, with a smooth 5 speed gearbox, as well as a top speed of over 120mph. Like every Lancia, the Gamma has front-wheel drive for impeccable handling and roadholding on the twists and turns of winding country roads.

Steering is power assisted and should you meet a flock of sheep en route, dual system brakes provide exceptional stopping power. Which means that the Gamma handles like a car half its size.

Finally, we feel certain that the restrained elegance of the Gamma Berlina will not go unnoticed in the traffic jams around town.

You will be relieved to know that this car carries a very sensible price tag which will not deter even the most austere of financial directors. (You might mention too,

that the new 12,000 mile service intervals practically half servicing costs.)

If you would like to test drive the Gamma Berlina, talk to your Lancia dealer. He'll be happy to prove that the claims we make for this car are a refreshing reality. At the same time ask him about our special leasing schemes, which offer some striking financial advantages.

Or if you are eligible to purchase a Lancia free of taxes, contact our Export Department.

## LANCIA

The most Italian car.

Lancia (England) Ltd., Alperton, Middlesex.  
Tel: 01-998 5355 (24 hour sales enquiry service).

\*Price includes car tax, VAT at 8%, inertia reel seat belts and delivery charges on UK mainland, but excludes number plates, metallic paint and leather upholstery.



The Lancia Gamma Berlina. £7,135.83\*

UK NEWS - POLITICS

Tories offer council homes at half-price

BY ELINOR GOODMAN, LOBBY STAFF

MR. MICHAEL HESELTINE, the Conservative spokesman on the Environment, produced the first real electoral carrot of the Tory campaign at the weekend when he gave details of the party's plans for helping council tenants buy their own homes.

A Conservative government would, he said, enable council house tenants of more than 20 years' standing to buy their houses at half price.

Tenants who had been paying rent for more than three years would be offered a discount of a third on the market value. Mortgages of 100 per cent would be available to all those who wanted them and were able to afford them, he promised.

The Tories would also have "urgent consultations" with Housing Associations about selling their properties to sitting tenants, he said.

Apart from making a general commitment to cutting income tax, senior Conservatives are anxious that specific promises of policies which would either involve a reduction in Government revenue or an increase in public spending should be kept to a minimum during the campaign.

Mr. Heseltine's speech was apparently in keeping with this rule as he made it clear that the Conservatives regarded helping council house tenants buy their homes as a way of reducing public spending in the long term.

He also emphasised that safeguards would be built into the system to ensure that homes were not sold below cost or that occupiers did not end up paying less in mortgage repayments than they had in rent.

With Mrs. Thatcher making only one major public appearance this week, Mr. Heseltine is one of a small team of shadow ministers scheduled, to take some of the media limelight away from Labour.



Mr. Michael Heseltine

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The main responsibility of replying to anything the Prime Minister may say at his first Press conference today is being left to Mr. Heseltine, who, though not considered an intellectual heavyweight by all his colleagues, is generally recognised as one of the party's most effective campaign speakers.

Mrs. Thatcher is not expected to get involved in any real dog-fights with Mr. Callaghan if her advisers can help it, but Mr. Heseltine will have no such inhibitions and is expected to launch an all-out attack on Labour policies today.

The Tory offensive will be taken up tomorrow by Mr. Reg Prentice, the party's most glittering convert and the prospective candidate for Daventry. The idea seems to be that Mr. Prentice should be used to get across the idea that Labour is a totally divided party and that Mr. Callaghan represents only, at best, one half of it.

As part of this general attack he is likely to focus on the Labour manifesto, which yesterday was being blasted by the Tories as being little more than a cover-up for the red-blooded Socialist policies which a Labour Government would try to impose on the country if elected with a large majority.

Polls show Labour trailing further as campaign starts

BY OUR LOBBY STAFF

LABOUR was given a gloomy start for its election campaign yesterday by the opinion polls. Two polls showed that Labour's rating had got worse, and a third was hardly more encouraging when it suggested that the party's standing in the key marginal seats had improved only fractionally over the last week.

The worst news for Mr. Callaghan was contained in a poll carried out for the Observer by Research Services. This showed a 21 per cent lead for the Conservatives, the largest ever recorded for any political party during a general election campaign since opinion polls began in 1939.

Translated into votes it would give the Tories a majority in the House of Commons of more than 200 seats, though not even the most optimistic Conservative would expect this lead to be maintained during the campaign.

Another poll carried by Marplan for the News of the World showed that the Conservatives have more support among young voters than Labour. Whereas a year ago Labour had a lead of 12 per cent among first-time voters, now the Conservatives are 2 per cent ahead.

But the polls also showed that 29 per cent of voters under 25 still had not decided how to vote, though when pressed more of them said they would vote Labour than Conservative.

Meanwhile the Marplan survey of 100 key marginal seats, which is being carried out at weekly intervals throughout the campaign for the T.V. programme, Weekend World, showed that Labour had managed to pull back only one percentage point in the week to yesterday.

The polls showed a Conservative lead over Labour of 13 per cent on a swing of 6.2 per cent. If such a swing were repeated on polling day the Tories could expect to take more than 60 seats from Labour.

The biggest change since last week was that the number of people undecided about how to vote had dropped from 24 per cent to 14 per cent, with the two main parties picking up support fairly evenly.

Despite the Tories' overall lead, a majority of electors still think that Mr. Callaghan would make a better Prime Minister than Mrs. Thatcher.

Manifesto 'a cover-up' claim leading Tories

BY ELINOR GOODMAN

LABOUR'S election manifesto was torn apart yesterday by Conservatives, delighted to have been given what they claimed was further evidence of the disaster that would follow another Labour victory.

Dismissing suggestions that the Prime Minister had succeeded in outmanoeuvring the Left at the final manifesto meeting on Friday night, the Conservatives maintained that, in reality, the document was nothing more than a cover-up.

The proposals for a wealth tax and further powers for the National Enterprise Board were singled out for particular abuse.

Both Mr. Norman St. John Stovas, the shadow leader of the House, and Mr. Teddy Taylor, the shadow Scottish Secretary, absolutely refused to say that people should be taxed on an amount which was worth only £50,000 10 years ago.

Mr. Norman Tebbit, Tory candidate for Chagford claimed that it would not be long before people on average earnings had to pay a wealth tax if Labour had its way.

Mr. Edward Heath, the former Conservative leader, called the manifesto "more of the same old medicine"—the same pathetic belief in the extension of public ownership; the same attempt to impose trade union "democratic control."

The yawning credibility gap between past performance and future promises damned the Labour manifesto from the start, he added.

Mr. Denis Healey, the Chancellor, responded with a challenge of his own to the Conservatives. Anticipating the publication of the Tories' manifesto on Wednesday, he called on Mrs. Thatcher to specify which of the public services she intended cutting as part of her commitment to reduce public spending.

designs of the Left are to be wrapped.

Mr. St. John Stovas claimed that despite "the Callaghan camouflage," the Labour leopard's spots were as "faint as ever."

Mr. Angus Munde, deputy chairman of the Tory party, who even before the manifesto was unveiled on Friday was attacking its "expected contents," pointed to what he regarded as the contradictions in Labour policies.

The manifesto, he said, promised huge increases in public spending while at the same time promising to cut income tax.

Mr. Nicholas Ridley, vice-chairman of the Conservative finance committee, reserved the worst of his abuse for the wealth tax proposal. It was "absolutely crazy," he said, that people should be taxed on an amount which was worth only £50,000 10 years ago.

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'Hard' to keep control of North Sea oil

BY MAURICE SAMUELSON

BRITAIN would have to fight immensely hard in the 1980s to prevent the EEC from getting control of her North Sea oil, Mr. Anthony Wedgwood Benn, Energy Secretary, said yesterday.

Claiming that he knew how to handle the oil companies, Mr. Benn warned that the EEC Commission could have recourse to the European court.

His relations with the oil majors had always been "absolutely open" and, despite Press campaigns, the oil giants had privately told him that Labour's oil policy was the best in the world.

In a counter-statement, Mr. Tom King, Conservative Energy spokesman, said that "the dead hand of Bennite interference" had left its mark on the UK oil industry.

The Conservatives would immediately review BNOC's operations to determine whether they benefited the nation. Pending the outcome of the review, BNOC would lose its financial privileges and pay petroleum revenue tax like the other oil companies.

The Tories would consider offering larger areas for exploration than those in the latest licensing rounds.

Police body appeals to candidates

By Our Lobby Staff

THE POLICE FEDERATION stepped into an election campaign for the first time yesterday. While it was careful not to come out for a particular party, the policies it advocates are likely to strike most sympathetic chords among Conservative candidates.

It has sent an open letter to all candidates, urging them to support the reintroduction of capital punishment for murder, in particular for acts of terrorism, and stiffer penalties for violent crimes.

Proclamation dissolves Parliament until May 9

The Royal proclamation dissolving Parliament was issued in London on Saturday.

The dissolution means that MPs are barred from the precincts of the Palace of Westminster except to pick up mail.

MPs and their secretaries cannot use House of Commons facilities copying machines or franked Commons envelopes.

For the first time, MPs will be paid until polling day. Those who lose their seats on May 3 will be entitled to claim three months' pay.

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Weighell urges railmen to pay up for Labour

THE National Union of Railwaymen yesterday began an anti-walkout to mobilise its 150,000 members behind a campaign to ensure the return of a Labour government.

Local branches are being urged to make generous payments to a central fund to add to the £40,000 which the union's executive has decided to give to the Labour election fund. In addition, maximum contributions will be expected from local NUR branches to Labour constituency parties.

Mr. Sidney Weighell, general secretary, told union officers at Brighton yesterday: "We shall be making the maximum contribution to back up the 13 candidates the NUR are sponsoring in the General Election and will be organising an intensive support effort in the marginal constituencies."

After rising by 41,500 in the first couple of months of the year the total number of adults out of work fell by 12,100 to 1,520 in the month to mid-March.

The mid-April figures are due on April 18, though possibly more important than the monthly fluctuations will be the overall total.

The other statistics are more esoteric. Nonetheless, they may give the politicians something to argue about. While the February industrial production index, due on Thursday, may show some recovery from the depressed level of January the trend over the last year has still been sluggish—especially in manufacturing industry.

Yet for all the debate about the statistics, the economic indicator most likely to appear in the headlines may be sterling in view of its recent strength.

Voters will, however, be most directly affected by the arrival this month of domestic rate demands with average increases in England and Wales of 18.5 per cent. On the other hand, parents will be receiving from this month an increase in child benefits of £1 a week to £4 for each child.

Otherwise there will be a distinct silence on the economic scene. The Civil Service will be quietly working on briefs for a new Government of whichever party, while outside bodies will also seek to avoid party political controversy. Even the National Enterprise Board annual report, which looked like being ready before the election, will now probably come out later.

Clydesdale Bank advertisement featuring the logo and the text 'BASE RATE'.

Bank of India advertisement with text: 'Bank of India announce that on and after 9th April, 1979 its Base Rate for lending is being reduced from 13% to 12% per annum.'

PETER RIDDELL ON THE ECONOMIC INDICATORS. How a set of statistics can influence voters.

MAJOR ECONOMICS STATISTICS BEFORE THE ELECTION. List of statistics including price indices, government borrowing, and production indices.

Votes pact talks fail

By Stewart Daily

ULSTER'S Unionist parties have failed to arrive at an electoral pact and field agreed candidates in some of the province's 12 constituencies.

This could mean that at least two seats will be lost either to the mainly catholic Social Democratic and Labour Party or the non-sectarian Alliance Party.

The Official Unionists, the United Ulster Unionist Party, the Unionist Party of Northern Ireland and the Ulster Unionist Party met in London on Tuesday.

But without the pact they sought, the vote in several Unionist-held seats could be badly split.

The United Ulster Unionist Party, for example, plans to run Mr. Cecil Harvey, a businessman, against Mr. Enoch Powell in South Down.

Callaghan warned of 'Left takeover'

BY OUR LOBBY STAFF

FUEL FOR the Conservatives' campaign to brand Labour as a party of extremists came yesterday from a group claiming to have the best interests of Labour at heart.

The Social Democratic Alliance, which was founded in 1975 to represent what it calls "grass-roots Labour moderates" and later supported Mr. Reg Prentice in his fight with the Left at Newham North East, wrote an open letter to the Prime Minister warning him that the extreme Left was seeking to take control of the Parliamentary Labour Party.

It urged him to "reassure" Labour voters that he did not support the views of those Left-wingers who hoped to be returned in Parliament on his "coat tails."

The Alliance, whose membership consists mainly of Right-wing Labour local government workers' suggested that Mr. Callaghan should make a public promise not to appoint to his next Government any MP who had been associated with "extremist organisations" and had not since repudiated them.

To help Mr. Callaghan—and, presumably, the Tory Party—seek out the extremists in his ranks, the Alliance accompanied its letter with a copy of its latest publication, The Mutation of Labour, which sets out to show that the party's organisation is already controlled by the extreme Left.

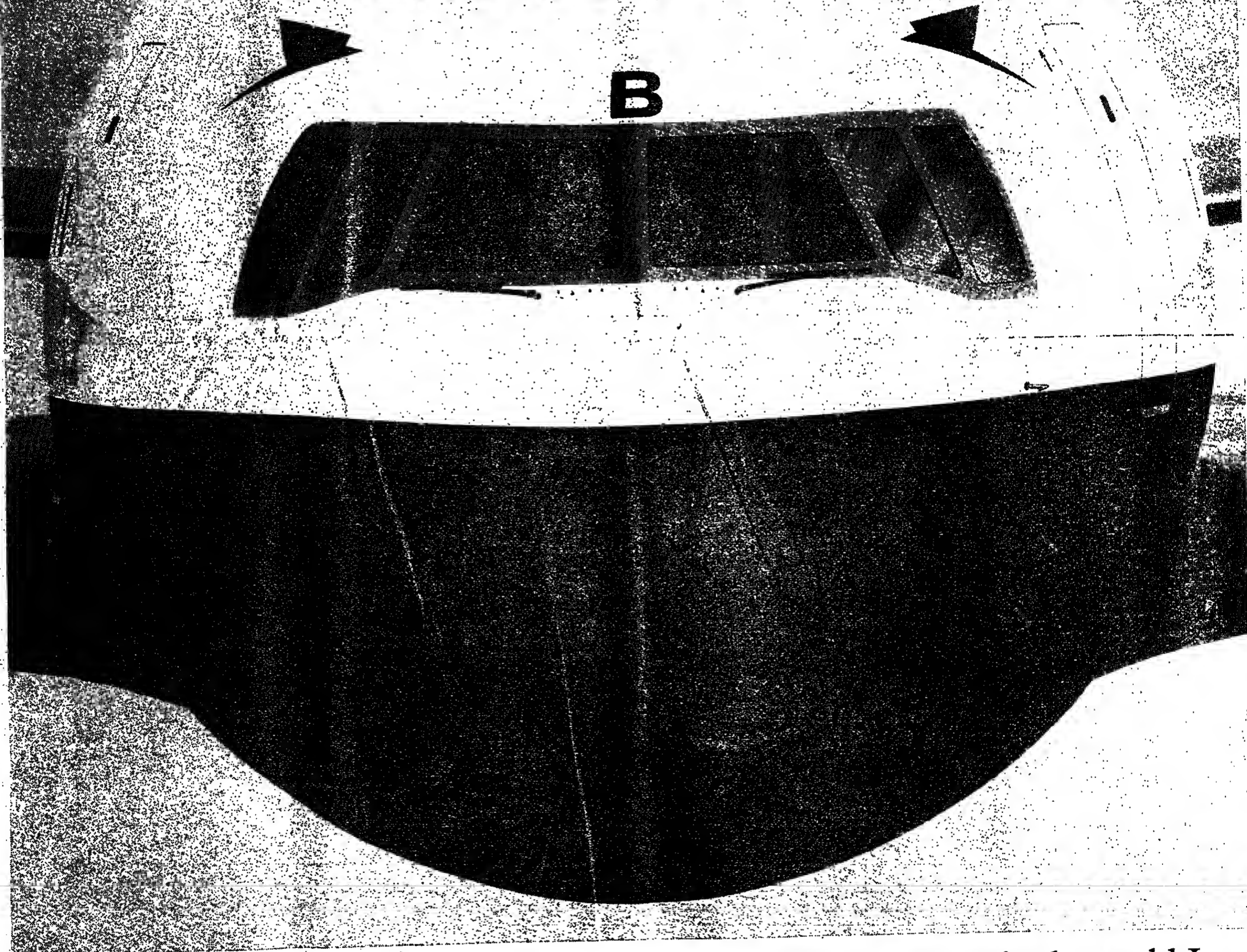
BUSINESSMAN'S DIARY table listing UK Trade Fairs and Exhibitions with dates, titles, and venues.

OVERSEAS TRADE FAIRS AND EXHIBITIONS table listing international events with dates, titles, and venues.

BUSINESS AND MANAGEMENT CONFERENCES table listing various business and management events with dates, titles, and venues.



# There's nothing like it under the sound barrier.



The new TriStar 500. It's the most advanced subsonic jetliner in the world. Its navigation control is second to none. As is the on-board computer.

It's slightly shorter than the original TriStar. But that's a breakthrough in itself: all the comfort of a wide-bodied jetliner in a plane that can travel further without refuelling. And that saves you time.

From May 7th our new TriStar 500s will be flying to Abu Dhabi and Dhahran. So you'll have a choice between the world's only supersonic aircraft, and the best in subsonic flight as well.

# British airways

We'll take more care of you.

# Building and Civil Engineering

## UK consultants in big irrigation plans

PAKISTAN Water and Power Development Authority has appointed Sir M. MacDonald and Partners, Consulting Engineers of Cambridge, consultants for the first stage of the Left Bank Outfall Drain Project (LBOD), a major drainage project in Southern Pakistan.

LBOD was proposed by the Government in 1968 in the Lower Indus Report, the total cost being estimated, in 1968, at £55m. Construction of the 610 cubic metres/sec. capacity, 420 km. long open drain which will extend from Khairpur towards the Ran of Kutch, south of the river Indus, started in 1974 but progress has been slow and plan priorities have been modified due to a shortage of funds.

Sir M. MacDonald and Partners has been requested to prepare an up-dated feasibility study of the project and its

component parts, together with a reconnaissance level study of possible future extensions. The objective is to draw up an economic and practical plan for the progressive implementation of the project. The assignment, which is for 12 months, is financed by the Ministry of Overseas Development.

The new study will include a complete review of the implementation programme for the LBOD main drain and some 600 kms of branch and link drains. In addition, a programme for the full development of the Sukkur Left Bank and for additional subsurface drainage works will be prepared.

The partnership has also been nominated by the Indonesian Ministry of Public Works to provide an advisory team to assist a water resources agency (PIBD) and an agency responsible for the central administration of foreign aid (FAAD).

Within PIBD, the team will advise on the management of the overall project and of the individual irrigation projects. They will also give advice on contract administration and equipment procurement and will assist with the solution of problems relating to operation and maintenance of completed irrigation systems. For FAAD the team will endeavour to establish a better system of administration, operation and reporting for the various project loans received by the Directorate General of Water Resources Development.

The assignment is financed by the World Bank and will last for three years.

In the meantime, Groundwater Development Consultants (International) a joint company formed by Sir M. MacDonald and Hunting Technical Services has been appointed by the Indonesian Ministry of Public Works to provide consulting services

for the Madura groundwater irrigation project. Madura, which lies to the north of Java, has an area of 4,500 square kilometres and a population of 2.4m. The majority of whom depend upon agriculture for survival.

In 1977 the two groups completed a feasibility study for groundwater development on Madura.

The objective of the present assignment, financed by the Ministry of Overseas Development, is to construct, operate and monitor several pilot groundwater irrigation projects to prepare the way for future full development of groundwater resources on Madura.

The objective of the present assignment, financed by the Ministry of Overseas Development, is to construct, operate and monitor several pilot groundwater irrigation projects to prepare the way for future full development of groundwater resources on Madura.

## Fairclough in East Anglia

FAIRCLOUGH BUILDING has so far this year, secured five new contracts worth over £4.25m, largest of which (£1.7m) is for a Fisheries Research Complex at Lowestoft for the Ministry of Agriculture, Fisheries and Food.

Work on this four-storey purpose-built laboratory designed by the Property Services Agency at Cambridge starts after Easter. When complete, in early 1981, the new laboratory will be the largest of

its type within the EEC and will unite scientists from several of the Ministry's scattered establishments.

In Peterborough, the division has negotiated a further housing contract worth £1.5m, with the Peterborough Development Corporation to build 125 two-storey houses and flats at the Orton Township.

In Colchester work has already begun on a £500,000 fitting-out contract at the Sainsbury's supermarket in London Road, Lexden, and is due for

completion at the end of August.

Meanwhile, at its base in Ipswich, where the company has recently handed over the first phase of the new £8m Debenhams department store, work on 32 new dwellings worth £400,000 in the Victoria Street area, is under way for the Ipswich Borough Council.

Work on a new branch office for the Britannia Building Society in Dales Road, Ipswich, will start shortly.

## Many tasks for Holst

NERF has awarded to Norwest North East Region, acting as agent for the Post Office, calls for the construction of a new telephone exchange in Bentinck Road, Newcastle-upon-Tyne. The building will have three stores, with a reinforced concrete and a steel frame and external walls. Construction of an extension to the site of the stores section of the existing service centre building is also foreseen.

Architects are Mason Richards Partnership. Standard Life Assurance Company has let a £1,200,000 contract for the construction of four warehouse units with offices, boarding areas, drainage, landscaping, service road and sewer. The buildings, with a net total floor area of 9,951 square metres will be completely finished. The site is to the north of the A630 Bradford Wakefield road close to the junction with the A62 Leeds Huddersfield road, near Gildersome.

Fell Permanent Way Depot, near Pershore.

A £549,000 contract by the Property Services Agency, North East Region, acting as agent for the Post Office, calls for the construction of a new telephone exchange in Bentinck Road, Newcastle-upon-Tyne. The building will have three stores, with a reinforced concrete and a steel frame and external walls. Construction of an extension to the site of the stores section of the existing service centre building is also foreseen.

Mersey Docks and Harbour Company has awarded a £1,070,000 contract for tarmacadam, paving and drainage, etc., on Phase 3 of the construction of the new Berth S.S. Royal Seaforth Dock, Liverpool.

## Housing and factories by McAlpine

WORK WORTH just over £2m has been won by Sir Alfred McAlpine and Son (Northern) of Hooton, South Wirral, Cheshire.

For the Central Lancashire Development Corporation, McAlpine is to undertake a housing contract, worth in the region of £1.4m at Sherwood Site A, Preston. Work includes the erection of 119 single person units, assembled in two and three storey blocks.

At Deeside Industrial Park, Shotton, a factory is to be built for the Welsh Development Agency under a contract worth around £280,000. The building will be about 80m x 21m on plan, 4.50m high to eaves and 7.00m high to ridge.

## Big project in Liverpool

WIMPEY CONSTRUCTION UK has been awarded by the Property Services Agency the £55m management contract for the Liverpool Exchange redevelopment and office construction project on a seven-acre site, in central Liverpool, a development which will eventually house 3,000 Government staff.

First major management contract to be awarded by the PSA is due to the need to effect a close inter-relationship between the existing office work hotel conversion and the new building complex.

Aim is to convert the Exchange Hotel to offices, while developing the adjacent railway station site for new offices—an integrated development aimed at maintaining the characteristic features of the old hotel, improving its fabric and at the same time converting the interior to offices which are linked to a complex of 11 new office blocks surrounded by courtyards—the whole contained visually, spatially and environmentally within an imaginative overall plan.

Westex Regional Health Authority has awarded a contract valued at approximately £6.5m for a new extension to Southampton General Hospital.

The Greater Peterborough Regional Co-op Society has awarded Wimpey the contract for the completion of the Co-op retail stores and offices in Park Road, Westgate, Peterborough, at a value of approximately £2.1m.

## Making good at the RAF

RESTORATION of the former RAF Fighter Command headquarters at the Old Priory, Bentley Priory, Stanmore, Middlesex is to be carried out by Cubitts General Contract, under a £1m contract awarded by the Property Services Agency.

The building will be used as an RAF officers' mess and will include some bedroom accommodation. Much of the work will involve replacement of beams and large sections of flooring. The restoration of interior decoration will call for intricate plasterwork.

## Repaving an airport

PROPERTY SERVICES Agency of the Environment has awarded a £2.3m contract to Balfour Beatty, a member of BICC, for pavement maintenance at RAF Leuchars, Fife.

The contract calls for the provision and laying of some 40,310 cubic metres of pavement consisting of 22,700 cubic metres of dry lean concrete and some 63,000 tonnes of bitumen base, wearing and friction courses.

## £2½m civic hall and theatre

DARTFORD Borough Council has appointed Bovis Construction as managing contractor for a new multi-purpose civic hall at Suffolk Road, Dartford, Kent.

Valued at about £2.5m, the construction plan is due to start in August this year. Architect is Structural Services Consultants, and quantity surveyor for the scheme is Building Design Partnership, London W1.

## Laing takes work worth over £10m

BIGGEST IN a series of new awards to John Laing Construction is a £5m contract to build a Crown Office Development for the Property Services Agency at Norcross, near Blackpool, Lancashire. Work has started and is due for completion to three years.

The linked "Y" shaped building, which will be partly seven-storey and partly nine-storey with podium decks at ground and first-floor levels, will comprise seven buildings already on the 39-acre site. In addition to normal office accommodation, there will be a large basement plot area including a telephone exchange with facilities for 6,000 telephone lines and a departmental training centre with lecture theatres and conference facilities for 100 people.

All sections will have a wheelchair access. The structure on large diameter bored pile foundations,

will comprise an in situ reinforced concrete frame with hexagonal columns on a triangular grid. Cladding will generally be in precast units with highly insulated metal-framed curtain walls inset, some external brickwork at the lower levels and tiling to the four stair escape towers situated at the extremities of the building.

Birmingham City Council tenants at Pye Hayes will see their inter-war houses transformed into modern homes before their eyes over the coming 15 months when the Midlands Region of John Laing carries out a £17.5m modernisation programme.

The estate on the northern side of the city is being up-dated as part of a ten-year programme to bring about 35,000 older council dwellings in Birmingham in phases of up to 40 buildings at a time; tenants will be

vacating their houses at 8 a.m. each day and living in caravans placed by the council in the front gardens of their homes, returning indoors to sleep at night.

North East Region of John Laing has been awarded three contracts totalling about £1.5m. The largest is in Coulsby, Newham, Cleveland, where Laing will build 96 dwellings for up to 340 people at Tollesby Bridge under a £1m contract for the Middlesbrough Borough Council.

At Newton Aycliffe, Co. Durham, Laing will build an advanced factory for Aycliffe Development Corporation. Work has started with completion expected in September.

Under a £200,000 contract Laing will also build 20 advanced factories on the Swan Industrial Estate for Washington Development Corporation. Work has started with completion expected by January, 1980.

## B-Cal's £7m offices

BRITISH Caledonian Airways has awarded Sir Robert McAlpine and Sons a contract worth more than £7m to build an office block at Crawley, Sussex.

On a 5.65 acre site the building will consist of a ground floor and seven upper storeys with an approximate floor area

of 160,000 square feet. External cladding will be silver anodised flush curtain walling with solar reflective glazing.

Work will start in June 1979 and is programmed for completion in December 1980. Architects are Lister Drew and Associates and consulting engineers, Sir Frederick Snow and Partners.

## Roadworks on hand in Malaysia

JKR, the Malaysian government's public works department, has awarded Taylor Woodrow International a £2.8m contract for the resurfacing of 125 miles of Federal Route 1 in the state of Johore.

The road, which links Kuala Lumpur and Singapore, will be surfaced with asphalt to Marshall specification.

Work, which has now started, is being carried out by indigenous operatives under the supervision of a small expatriate team and the contract is scheduled for completion at the end of 1981. The consulting engineer is the Director of roads of the Malaysian Public Works Department.

Taylor Woodrow and its partners are already working on project managers for two substantial housing developments at Johore which have a combined value of £38m.

## Dredger does the splits

THE FIRST large twin-screw split hopper trailing dredger to be built by IHC at its yard at Kinderdijk in Holland has been launched. It has been built jointly for Siderwards S.N.A. (Italy) and Societe Nationale de Travaux de Dragages (France).

Called the Pantagruelle, the vessel is 77.5 metres long, has a 15-metre beam and a hopper capacity of 2,000 cubic metres.

With vessels of this type the spoil is discharged, not by opening doors, valves, etc., in the

hopper bottom but by allowing the two halves of the hull—which is divided over its entire length—to swing apart. Principal advantages are that the hopper can be emptied in very shallow water and that heavy, sticky material such as clay can be evacuated much more cleanly and rapidly than by conventional means.

The Pantagruelle has a star-board-mounted suction pipe of sufficient length to permit dredging at a depth of 20 metres.

## Rubber plant control

A £1.3m contract to build the new control house for the Fawley chlorobutyl and butyl rubber manufacturing plant of Esso Chemical, has been awarded to John Mowlem and Company.

The new control house will be a single-storey structure and contain, besides the control room housing electronic control equipment, a laboratory,

computer suite, offices and mess rooms for the staff. The building, which will be blast-resistant, will have a gross area of about 15,500 square feet and be fully air-conditioned.

Construction will be of structural steel frame of reinforced concrete rim beam foundations, with precast concrete cladding and in situ reinforced concrete roof.

## Big industrial estate

ALL BUILDING and civil engineering works for an industrial estate, at Chesild Heath, Stockport, Cheshire, for Estates Property Investment Company are to be carried out under a £24m contract awarded to Simonbuild.

Simonbuild says it is to be responsible for the overall architectural design concept, detailed structural design and construction of the buildings, roads, ser-

vice, car parks and landscaping on the 12-acre site.

Sixteen buildings, ranging in size from 5,000 to 85,000 sq. ft. including office accommodation, are to be built over a period of 18 months. The 65,000 sq. ft. unit will be let as a warehouse under the terms of a lease already agreed.

The remaining buildings will be available for light industrial companies, the offices being designed to tenants' specifications.

## NOTICE OF PUBLIC SALE — PASSENGER VESSELS

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Please take further notice that pursuant to Orders of the Court dated March 9, 1979, in Chevron International Oil Co. v. The SS MONTEREY, Civil No. 79-0268 SW, Chevron International Oil Co. v. The SS MARIPOSA, Civil No. 79-0268 SC, presently pending in the Northern District of California, said SS MARIPOSA and SS MONTEREY, their engines, boilers, tackle, etc., will be sold by the U.S. District Court at public auction held at Room 1740F, United States Courthouse, 450 Golden Gate Avenue, San Francisco, California, on the 10th day of April, 1979, at 1.00 in the afternoon (PST) thereof, for cash to the highest bidder(s). Said bidder(s) is to deposit immediately with the Court 10% of the purchase price in cash, U.S. currency or certified cheque on a San Francisco bank, which sum may be forfeited unless the balance of the price is paid within 48 hours after the completion of the auction. The U.S. District Court reserves the right to withdraw the Vessel(s) from sale should it not deem the final offer(s) to be a fair and equitable representation of the market value of the Vessel(s); and the sale(s) shall be subject to confirmation by the Court.

While United States shipping laws require the bidder at an admiralty foreclosure sale to be a United States citizen, it is believed that the Maritime Administration would approve transfer foreign of these vessels and interested foreign purchasers should make appropriate arrangements with a United States citizen agent. It is further believed that MARAD would grant such an approval in advance, but it is the responsibility of any prospective purchaser to make these arrangements.

Interested persons are referred to the above-mentioned Orders of Sale for additional information concerning the terms of sale, and to the undersigned for further information concerning the vessels.

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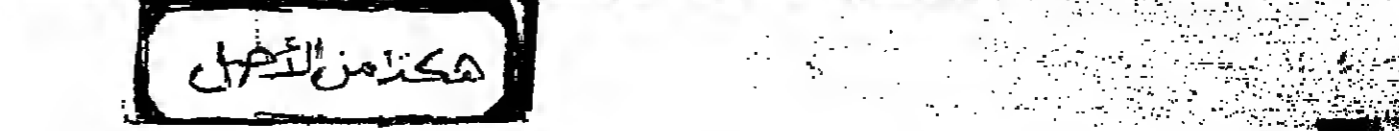
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# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

## RESEARCH

### From the laboratory to the market place

SET UP BY a university a small company has successfully bridged the difficult gap between the laboratory and successful conversion to industrial production that so often frustrates research terms. It is now exporting one of its products in the U.S. as well as developing a rapidly expanding British market.

City University London, was faced with the gap problem following the development by its Wolfson Unit of a novel oxygen sensor designed initially for personnel safety monitoring. Increasing awareness of the importance of safety, spurred on by the Health and Safety at Work Act (1974), had produced a pressing demand for gas sensors. The sensors had to be small, robust, reliable, stable and inexpensive, in order to meet the special requirements for widespread use in the working environment, often under difficult conditions such as in sewers or coal mines.

The university's solution was to promote its own company, City Technology, and give the original team the job of tackling manufacturing development.

The sensor is an electrochemical device, having much in common with batteries, and the team, which had industrial experience of battery production technology, was able to apply this to good effect. The finished product, in fact, looks very like a small torch battery. City Technology concentrates its efforts on the development

and manufacture of sensors at the university and, where necessary, associated circuit design. It then links up with suitable instrument companies, who undertake the design, production and marketing of the industrial instruments exploiting City Technology sensors.

The sensor is used in a Neutronics Instrument and work is well advanced on the development of an instrument for use in coal mines being undertaken by J. and S. Slegier in conjunction with the Mining Research and Development Establishment of the National Coal Board.

But many other applications are emerging, such as in flue gas analysis, to enable boilers to be adjusted for maximum fuel efficiency. Export business is building up to the U.S., where the sensors are used in instruments manufactured by Lynn Products. Other applications, the coming along include the monitoring of incinerating gas, metal treatment atmospheres, and anaesthetic mixtures in operating theatres.

The company is also adapting the basic technology to the monitoring of other gases and has under development a carbon monoxide sensor (in co-operation with the National Coal Board) for safety and fire detection, and a carbon dioxide sensor for safety and flue-gas analysis.

Further details from A. D. S. Tantram of City Technology on 01-253 3799 at Northampton Square, London EC1V 0HB.

## PROCESSING

### Air jets mix powders

CONTINUOUS OR batch blending of fine, cohesive powders can be carried out with a sequential jet mixer which has no internal moving parts yet is said to provide faster mixing and better dispersion than conventional rotary mixers, claims SAP, Chalfont Industrial Estate, Stroud, Glos. (045-388 4144).

It comprises a cylindrical vessel with a conical base, incorporating a number of multiple jet air nozzles.

Jets of low pressure air are

fed through the nozzles in a predetermined sequence causing a "boiling" action in the powder held in the vessel. All the powder is kept in constant motion so that it quickly becomes thoroughly mixed.

All fine aeratable powders may be handled, including pigments and colourings, powdered chalk, clay, carbon black and similar substances.

The company is manufacturing the mixer under licence from the NRDC, original development work having been carried out by Warren Springs Laboratory.

## HANDLING AND STORAGE

### More racking in the warehouse

BECAUSE IT is only necessary to have a single gangway in a storeroom or warehouse, a powered mobile racking system offers a great increase in storage density, claims Mobiltrax, Unit 1130, 41 Norwood Road, London SE24 9AJ (01-674 0131).

The system basically consists of powered base units constructed of rigid lattice beams connected to precision engineered axle bogies, and a central control panel.

Bases run on tracks set flush into the floor and are powered

by two or more electric full reduction geared motors linked directly to flanged and plain wheels.

Maximum load per wheel is 12.5 tonnes and, depending on the type of racking used and the number of bays employed, the maximum load per base can be in excess of 175 tonnes.

The control panel incorporates a time-saving random selection device which, at the push of a button, moves the appropriate bases to reveal the required aisle — with other systems, says the company, the bases have to move through a

complete opening and shutting cycle before the required aisle can be selected.

Safety features include emergency stop buttons on all bases in addition to the general stop button on the control panel; fail-safe safety skirts fitted in sections on either side of the bases trigger limit switches and bring the moving bases to a halt when obstructed.

Units are designed to accommodate all types of racking and shelving systems and so give freedom of choice of equipment most suitable for a particular application, says the company.

## PACKAGING

### Stays tight if toppled

DESPITE THE current price increases in basic polymers, a plastic shipping container has a cost advantage over standard steel containers, says Thurgar Belle, Telford Way, Kettering, Northants NN16 8UY. (0536 4422).

Particular advantage, however, is that the V-30 has been constructed with a reinforcing ring round the shoulder so that, should the container be toppled, the lid is still kept clear of the ground. Additional security is promised by the fitting of the lid with a neoprene gasket.

Cylindrical container has a 20 litre capacity and is designed, says the company, for the safe transportation of most chemicals, oils, powders, foodstuffs and water-based paints.

are released, but it appears to have two advantages: it needs to be heated only to 240 deg. C (double this figure is more normal) and it is also resistant to the build-up of atmospheric incrustation.

A heating coil raises the temperature to the correct figure and if the air moving past it contains flammable gas the electrical conductivity of the semiconductor material increases.

Two alarm thresholds are provided, pre-set by potentiometers in the electronics unit, and there are also open and short-circuit alarms in case of damage to cables connecting sensor to electronics.

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## TEXTILES

### Fast dyeing of fabrics

A NEW jet dyeing system for both woven and knitted fabrics has recently been developed in Britain by Platt Longlow (Dewsbury Road, Leeds LS11 5LH, Tel. 0532 709831).

The Uolflow can be built up to four inclined pressure vessels which are linked to five bigger batch processing. The chambers are made from molybdenum stainless steel and can dye at temperatures up to 140 degrees C.

When dyeing, the fabrics are in roped form, but they are subjected to only the lightest of tension.

As with all recent dyeing machinery developments over recent years the main emphasis of equipment is to accelerate dyeing as much as possible and conserve the energy required for heating, cooling and powering the machines, while water consumption needs also to be minimised. All these requirements are accompanied in the new Uolflow machine which, while using only a minimum quantity of water has a very high liquor interchange towards the front of the vessel, which ensures that the goods revolving within the chambers are constantly moving in the right direction and being renewed and rearranged, so preventing cross formation.

Goods-to-liquor ratio is held to a minimum and can be as low as 1:5 which not only reduces the amount of water being consumed, but also makes effluent disposal that much less. This also reflects in more economic dye cycles.

Although low liquor ratios normally give superior dyeing exhaustion and cleaner dyes it is possible, in certain conditions, to rinse by overflow and this is a facility built into the machine and which is available simply at the touch of a switch on the control panel. The Uolflow is a machine built for short cycle dyeing and lends itself ideally to sampling systems which can be operated easily and effectively at any temperature — to the maximum — even while the machine is under pressure.

## COMMUNICATION

### Many data paths provided

FORD MOTOR Company is to have a Ferranti Videodata coaxial cabling system to carry the in-plant data communications traffic at the company's engine plant at Bridgend, South Wales.

The new plant will be equipped with a number of computerised control and monitoring systems; these include machine tool monitoring, maintenance control, quality repair, assembly broadcast and hot engine test.

These require data communication paths between each computer and some 150 associated terminals which may be printers, visual display units, or reprogrammable controllers distributed over large areas of the plant.

The data communication paths are provided by a single coaxial cable network which uses VHF transmission techniques. The data transmission is full duplex, using the lower half of the cable bandwidth to transmit in one direction and the upper half of the bandwidth to transmit in the other, each hand being divided into many data channels.

Two types of data transmission system are mixed on the Ford network. One is a simple frequency division multiplex system which enables a small computer to communicate with a few printers. The other is the Ferranti Autopoll system; three of these are being used in the network.

Autopoll is a time division multiplexing system which uses a single pair of VHF channels on the cable to communicate with up to 250 terminals in one data channel at data rates of up to 45 kbvts/second. Full operation will be by the end of the year.

Ferranti Computer Systems, Withenshaw Division, Simonsway, Withenshaw, Manchester, M22 5LA. 061-437 5391.

## SECURITY

### Small chips from film

FOR THE destruction of microfilm, microfiche, jackets, X-ray film, and other similar materials, is a shredder called Micro 7 available from Portable Factory Equipment, Summit Works, Smith Street, Hockley, Birmingham B19 3EW (021-554 7241).

The unit is designed for high volume throughput and can shred material to small chips measuring only 0.7 mm by 9.5 mm, says the company.

Also announced is the Fordigraph 29 shredder from Ofrex, Ofrex House, Stephen Street, London W1 (01-436 3686) which has a cross cut action which, in seconds, is said to reduce a sheet of paper to many thousands of minute and ill-sizable fragments.

Shredded documents, including technical data or telex messages, are ejected from the quietly operating machine into an integral metal container which is easily removed for emptying.

## Easily assembled coldrooms

WITH THIRD World nations, and the Middle East in mind, Sadia Airofreeze, Rosebery Street, Loughborough, Leicester (050 93 30731) has designed a range of coldrooms which can be erected by unskilled labour with the minimum of supervision.

Meeting the requirements of butchers, abattoirs, supermarkets and frozen food manufacturers, the design criteria are said to take into account the regulations and requirements

for the storage of refrigerated and frozen food throughout the world.

There are facilities within the R2 range, says the company, for multi-temperature applications, where meat, vegetables, and dairy produce are stored adjacent to one another.

The modular construction enables coldrooms to be erected in five different heights from 7 ft up to 12 ft at 1 ft intervals. Cold stores can be constructed up to 24 ft high and almost any length and width can be

accommodated.

Standard panel widths approximate to slightly less than 1, 2, 3 and 4 ft respectively and the insulation is rigid polyurethane foam. The finished product, says the company, is fire-retardant and self-extinguishing.

The range has been designed not only for quick and easy assembly often under unhelpful conditions, and where trained erectors may not be available, but also to allow for the plant to be dismantled, enlarged and erected elsewhere.

## Industrial weighing

IN THE late industrial weigh scales offered by Salter Industrial Measurement, George Street, West Bromwich, West Midlands B70 6AD (021-553 1855) a single load cell is activated by a lever system in which there are no wearing parts.

Bearings are replaced by stainless steel flexible elements giving a rugged and accurate system in which the cell is protected from damage by shock loading.

The platform, which can be up to 3 x 3 metres and can accept up to 15,000 kg, has a

deflection of only 0.013 mm and the accuracy is described as being "up to 0.02 per cent." An associated digital display unit can be located to suit the user and is equipped with an automatic push-button tare facility.

Salter has also announced the availability of a new counting and weighing unit, the Electro-scale 905. This has its own small platform for capacities up to 20 kg, or it can be used with the weigher to give a gross capacity of 10,000 kg. Up to a million parts can be counted at the touch of a button, to better than 1 per cent.

## Multi-role excavator launched

LATEST OF the multi-purpose telescopic boom excavators to be built in the U.S. by Warner and Swasey is to be marketed in the UK by Blackwood Hodge of 25 Berkeley Square, London W1A 4AX.

It will be known as the C880 S.I. Gradall and offered for industrial applications, particularly in the steel and mining industries. Attachments available include scaling and ripping hooks, excavating buckets and air or hydraulically operated hammers.

The machine is able to swing its telescopic boom through 360 degrees and the boom can be extended to nearly 42 feet in reach into areas that are not easy of access.

In the steel industry the machine can be used in blast furnace maintenance, for removal of ladle linings, handling slag and so on. In mining work, the excavator is said to be particularly suitable for removing loose rock from roofs and walls.

## Conveyors driven by rope

NO BELTS or chains—often causing the clanking and clamour in factories using many conveyors—are involved in a conveyor system called Polly-Braid from Alvey Conveyor of Sunbury (76-86176).

Looking like conventional systems with steel rollers and side fences, the conveyors are driven by braided rope running on pulleys, negotiating bends and curves, and returning

underneath to complete a loop.

Vital feature, says the company, is that far fewer motor drives are required for the whole system, which cuts both original and maintenance costs yet renders the system simpler and more reliable.

Use of this single drive eliminates complicated separate driven sections at corners and bends, hitherto a normal feature of conveyor systems.

## SAFETY

### Better gas detector

A GERMAN company, Bieler & Lang GmbH, Oberkreuzstrasse 21, D-7590 Achern/Baden, reports the development of a flameless gas detector equipment which uses mixed sensitive element.

No further details of the chemistry of the element itself

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# THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Nicholas Leslie on the three entrepreneurs in the semi-final of 'Company of the Year' competition

## Research, de-greasing and turkeys

ON THE face of it medical research, de-greasing and turkeys would seem to have nothing in common. They do, however, have a connection in that they constitute the activities of the three UK finalists of the European "Company of the Year" competition which is being held concurrently in Britain, France and Germany.

Britain is the first to have reached the semi-final stage in its home heat and the sponsors of the UK end of the competition, Development Capital, have by good fortune or, perhaps, design—alighted on a combination of activities and personalities ideally suited to represent entrepreneurship in its different forms and to compete against the French and German finalists. The competition does not carry a cash prize but, instead, an offer of up to £100,000 of financing on normal commercial terms.

Perhaps the most unusual of the British finalists is Simtec Research, an independent and privately-owned laboratory which does both contract

research and academic research. Based at Merthyr Tydfil, in Wales, it was incorporated as a company in 1975 by Dr. Mansel Aylward, his wife and Dr. Jeffrey Maddock. They had been carrying out research on an informal basis since 1971.

In true entrepreneurial style Dr. Aylward started his laboratory by mortgaging his house, and arranging a bank overdraft. His laboratory is still in buildings erected in his back garden, though he is hoping to move to much larger premises to accommodate the increasing amount of work he expects to be handling. With a current staff of about 20 he has a turnover of over £200,000, more than 80 per

cent of which is represented by overseas contracts.

Another finalist has the eye-catching name of Greasesters. Based at Colchester, in Essex, this company was started only eight months ago by Christopher Salter. What he spotted was a gap in the market for machines that cleaned grease off machinery and tools. He says there was only one company with a product comparable to the one he now sells and that was American and only leased machines. He decided to set up his own company to manufacture a cleaning machine which he sells outright to engineering companies, garages and similar concerns.

The advantage of his product, however, is that it requires a cleaning agent to specially designed drums which need replacing every six weeks or so. He, therefore, has a continuing business with each machine he sells.

The third finalist is Hocken-hull and Hayes. This again is a very young company started only ten months ago by Mr. P. Hocken-hull and Mr. G. Giesse-ments. Theirs is essentially an example of highly successful marketing (as, indeed, is Greasesters). For what they saw was a need for marketing turkeys, particularly to the catering trade.

Their main product is

described as particularly nationalistic. So far, though, there has been a surprising similarity in that the number of entrants has been not dissimilar and the numbers which each sponsor has said it is prepared to make cash offers to is roughly the same.

In addition to Development Capital, the sponsors are Sofinova, S.A., in France, and Deutsche Wagnisfinanzierungs-Gesellschaft, in Germany. The competition is being featured regularly on BBC 2's Money Programme (the UK final will be televised on May 21 and in France by Antenne 2 television. While assessments to date have been done by each sponsor,

finalists in each country will be scrutinised by an independent panel of judges and it may be at this point that differences in approach to choosing national winners will emerge. For while there are just three judges in the UK, there are seven in France and eight in Germany.

The British judges are Sir Jeremy Morse, chairman of Lloyds Bank, Mr. Tom Lyon, immediate past chairman of the CBI's Smaller Firms Council, and Mr. Hugh Armstrong, managing director of Development Capital.

The French panel includes M. Laurent Boix Vives, head of Skis Rossignol, which claims to have done by each sponsor,

world market for skis and which has been at the forefront of changing technologies in this market. M. Boix Vives has built the company up from very small beginnings in the past 20 years. Other French judges include M. Yvon Gattaz, head of Radiall, an electronic components company, and Mme. Anette Roux, who has considerably expanded Chantiers Beneteau, a company making small sailing boats founded by her father. M. Christian Marbach, head of Sofinova, is on the panel.

Among those on the German panel are Heinz Nixdorf, who founded the large computer company bearing his name, Dr. H. Zapp, a member of the executive board of the Deutsche Bank, Dr. Heinz Keller, president of the Fraunhofer Gesellschaft, a well-known research establishment, and Achim Stoeck, managing director of Deutsche Wagnisfinanzierungs-Gesellschaft. The German Minister for Research and Technology, will be the guest "moderator" in the event of a tie-breaker being required.

### EXECUTIVE HEALTH

THE wealth of an organisation is dependent upon the health of those who work therein.

I do not mean that every employee, from the highest to the humblest, must be a perfect specimen before profit from his endeavours can be accrued.

But I do postulate that an average collection of employees cannot give of their best, cannot realise hidden potentials, if their accommodation and environment are inexperienced.

Sufficient light, adequate ventilation and satisfactory heating are obvious prerequisites for proper productivity. But the amount of space and the type of accommodation suited to particular individuals and their propensities often receives far too little attention and consideration by those who plan in an impersonal fashion.

Space is a problem that is ever with us. The stoutly constructed, red-brick lunatic asylums of the early Edwardian period have defied alteration for modern-day needs, although huge sums have been wasted by the NHS in forlorn attempts to achieve the impossible. Office-blocks have similar problems. Roofs cannot be raised; major walls can rarely be moved without structural risks; windows may be enlarged but not shifted far.

In some cases it is possible to remove all internal obstacles and provide an open-plan system. This method has enjoyed a vogue both in relatively new buildings and in very much older ones. The system is,

### Office planning—much room for improvement



perhaps, of value under certain circumstances. But where individuals, selected for their enterprise and intelligence, are concerned, the snags are legion.

There is no privacy. Noise, which is the sum of a multitude of varied and variable sounds, tends to be most disturbing in many, particularly in areas where imaginative work is required.

Then there is heating; there can be no generally acceptable temperature level. Another problem involves air circulation. If the person farthest from the window is suffocatingly hot, he is unlikely to maintain friendly relations with the senior man who, having selected the desk with most daylight, has no intention of sitting by a window which is open to blasts raised in the wastes of Siberia.

Between this system of open-

### BY DR. DAVID GARRICK

plan and of poky offices comes a compromise which, in psychiatric terms, can only be regarded as obsessional. This is the semi-open-plan system, in which wide areas are half-broked by glass or hardboard partitions. As illustrations of minds incapable of firm decisions, such plans are illuminating; as productive areas, they lack the value obtained either by full publicity or complete privacy.

Naturally, the fiercest argument against same planning is financial. To have separate offices is expensive. But, in many cases, to fail to do so is more expensive. Take four people, each of whom is supposed to be a creative thinker, cram them into a small room, and then add two noisy typists. Little good will come of this. No gardener would sow seeds so densely and expect a crop other than weeds. Multiply the numbers many times and use open plan; again, the harvest is unlikely to be worth the reaping.

Until such time comes when office complexes are easily, purposefully and adequately mutable—like some portable hospitals—the next best solution is offices where the accommodation is partly individual and partly open-plan and to appoint a sane and unbiased individual to allocate and decide which form of space is most suitable for the needs and peculiarities of these individuals. Only then can the greatest benefit be reaped from expensive stock.

**EMPLOYEE BENEFITS**

THE obligation to look smart and well groomed is a necessary prerequisite of many jobs. Often the employee wears a company uniform—the postman, the London Transport inspector, the airline pilot, or it could be protective clothing, such as an oil tanker driver's overalls. But in other cases a suit or dress can be as much a necessary uniform as overalls or a braided jacket.

Some jobs are by their nature dirty—the surgeon on a building site for example. Just working in the centre of London or a major city makes any sort of clothes dirty very quickly. So if employees are to look reasonably smart, they need to have their clothes cleaned regularly.

If such cleanliness is a condition of employment, then there is a strong argument for the company to meet reasonable cleaning expenses. For one thing, regular cleaning will anyway extend the useful life of uniforms and protective clothing.

Many companies have for several years followed a practice of paying for certain dry cleaning expenses incurred by their staff in their work. But leaving it to the individual to get clothing cleaned, and then claim the bill as expenses, was found to be a time-consuming administrative chore. Having clothing cleaned in bulk with one cleaning firm was too rigid, since many employees wear their uniforms to and from work. Sketchley, the dry cleaners, realised that what was needed was a flexible and easily administered system which enabled the employee to have his clothing cleaned at a convenient time, at a cleaners near to him, without making any actual monetary payment.

About eight years ago, two senior executives with Sketchley, Tim Knight and James Waddington, left the company, with its blessing, to run separate operation. Called Cleaning Tokens Limited, and based at Elitchin, its main shareholders are three leading cleaners, Sketchley, Johnson Group Cleaners and Spring Grove Services. Each owns 37 per cent of the equity; the remainder is held privately.

### Cleaning tokens to suit the job

BY ERIC SHORT

THE system operates extremely simply. The employer buys cleaning tokens from the company and gives them to those employees entitled to use them. The employee pays by handing over the token. The cleaner sends off the tokens to Cleaning Tokens Limited and is reimbursed by return of post. The tokens are valid indefinitely, so are proof against inflation.

The scheme has been readily accepted by the vast majority of cleaners—over 90 per cent according to Cleaning Tokens. So employees should have little difficulty in finding a local cleaners which will accept tokens. Each token has printed on it the conditions under which it is valid, such as the cleaning of one uniform jacket and one pair of trousers.

In the words of Tim Knight, the scheme for uniforms, and protective clothing has "gone like a bomb." It is used by many leading companies and authorities, which have their own logo printed on the tokens and their own validity conditions.

About a year ago, Cleaning Tokens was approached by several of its clients inquiring about a similar service for those of their employees who do not wear uniforms to cover the cleaning of suits, dresses and other items of ordinary clothing. It came up with a scheme for providing tokens covering business suits and other business wear.

The principle is the same as for uniforms. The employer buys the tokens in bulk and distributes them to employees, the tokens being valid at any time. The Business Suit Service is available for cleaning a two or three-piece suit, while the Business Wear Service covers either a jacket, a pair of trousers, a skirt or a plain simple dress.

The employer at present pays £1.55 plus VAT for a business suit token and 80p plus VAT for a business wear token. This covers the cost of cleaning at any time.

The employer can set off the cost of buying these tokens as a justifiable business expense, especially with uniforms and

**Cleaning Tokens Limited**

**BP**

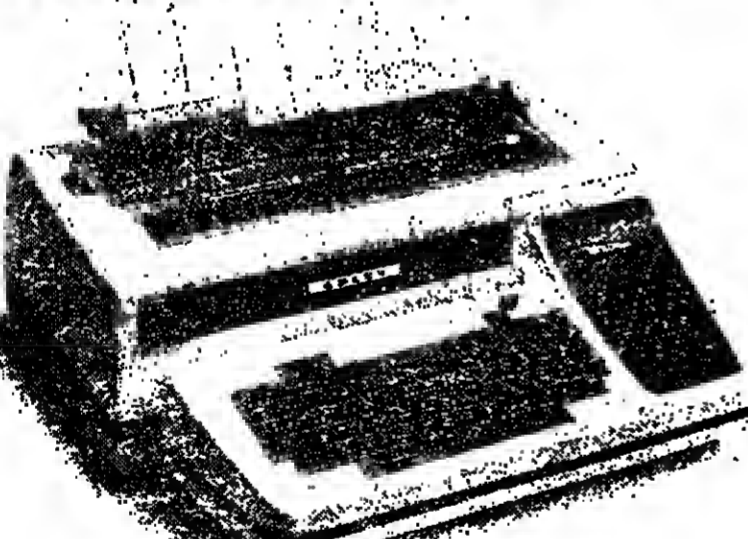
UNIFORM

The employer should show the issue of these tokens as a benefit in kind but it is up to the employee to point out that they are being used in connection with his job. Having a suit cleaned twice a year might be accepted as a justified expense, although some employers may issue more than the revenue might consider justified.

This is just another example of how the provision of employee benefits is proliferating. How long will it be before the idea of hairdressing tokens—for men as well as women—is demanded?

Cleaning Tokens, 30, Bameroff, Elitchin, Herts SG5 1LE (Elitchin 0462) 54658.

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A Practical Approach to Data Processing for Non-Data Processing Executives, London, May 30-June 1. Details from AME International, 6-10 Frederick Close, Stanhope Place, London W2 2HD.

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Risk Management in Practice, London, June 10-15. Fee: £525 plus £42 VAT. Details from Course Co-ordinator, Risk Research Group, Bridge House, 181, Queen Victoria Street, London EC4V 4DD.

Corporate Planning in Practice, Bradford, June 11-12. Fee: £225. Details from Corporate Strategy Programmes, University of Bradford Management Centre, Heaton Mount, Kelsley Road, Bradford, West Yorkshire, BD9 4JU.

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Management Team Building, London, June 11-12. Details from Eurotech Management Development Service, PO Box 28, Camberley, Surrey GU16 5HR.

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Target exchange rate problems

BY SAMUEL BRITTON

IT HAS long been known that central banks cannot operate both a money supply and an exchange rate policy and eventually have to choose between the two.

Sex discrimination after retirement age

THREE cases before the Court of Appeal last week demonstrate how persistent and pervasive is sex discrimination in the field of employment.

after 60 she would never have been able to qualify for the 10 weekly additional pay that an employee over the age of 60 and redundant would receive.

the area health authority was not allowed to dismiss her because she had reached the retiring age for women.

basis. Pension funds are so organised, recruitment is so organised, and everything is so organised on that basis.

Mrs. Garland's case presented the one most likely to escape the clutches of the provision in Mrs. Roberts' case.

THE WEEK IN THE COURTS

BY JUSTINIAN

entail in retirement ages at all. The Equal Pay Act 1970 and in the Trade Union and Labour Relations Act 1974 (as well as the social security legislation).

that, consistent with the provisions of the Equal Pay Act 1970 and in the Trade Union and Labour Relations Act 1974 (as well as the social security legislation).

Mr. Justice Phillips adhered to his earlier ruling and felt that it determined the case against Mrs. Turton. He did not think that the employers had introduced a discriminatory element beyond the age of retirement at 60.

Continued membership of the company social and sports club is an example. If such a privilege were restricted to former male employees, and women were excluded, the latter could claim sex discrimination.

Young Cauthen sees some strange goings-on

A CHAPTER of totally unforeseeable incidents at Salisbury on Saturday gave the record 8,000 crowd plenty to talk about.

RACING

Universal with a beautifully timed late challenge to land the opener, the Grand Food Stakes.

ENTERTAINMENT GUIDE

Entertainment guide listing various theatres, operas, and cinemas with showtimes and prices.

TV/Radio section listing programmes for BBC 1, including '6.40-7.55 am Open University' and '9.30-10.00 pm News'.

F.T. CROSSWORD PUZZLE No. 3,943

Crossword puzzle grid with numbers 1 through 23 indicating starting positions for clues.

- 1 Commands for a chap with engagements (8)
2 Messenger takes ester to the colonel about one (6)
3 Nearly everyone has a large quantity to distribute (5)
4 Nohlemans get order for extension to eouod receiver (9-4)
5 Egotism personified in the Flice (6, 3)
6 Name that accurately describes Kojak (8)
7 I'd rise to emphasise the misfortune (8)
8 Garden for Oriental to study (4)
9 Does not follow after service in a mean passenger-ship (4-5)
10 Alan Blair including 7.30 The Ounce Head Day and 8.00 The Bands Sound (5)
11 Garden for Oriental to study (4)
12 Wreaths for fellow holding permit (8)
13 I ran hard to find the ill-tempered old woman (8)
14 Still one finds something detestable in Tibet (4)
15 The strange name given to one Bowser (7)
16 Upstairs? Downstairs? The maid is not in either place (8)
17 A severe trial or business transaction (6)
18 "From the Congo or the inside a keeps (6)
19 "Mikado" (5)
20 "From the Congo or the inside a keeps (6)
21 "Mikado" (5)
22 "From the Congo or the inside a keeps (6)
23 "Mikado" (5)

Regional news and program listings for Scotland, Wales, Northern Ireland, and various regions like Yorkshire, Lancashire, and the Midlands.

Regional news and program listings for Yorkshire, Lancashire, and the Midlands.

ART GALLERIES and CLUBS section listing various art exhibitions and club events.

THE ARTS

Architecture

Reviving redundant churches

by GILLIAN DARLEY

There is nothing particularly remarkable about the squat medieval church of Orton, near Kettering. It is not of outstanding architectural or historical merit yet, like thousands of others, it is the most important building in the village...

Since the Ustular Measure of 1968 which defined the position of redundant Church of England places of worship, 740 churches have been declared redundant—many more lie unused, often semi-derelict, awaiting their fate...

In the case of Orton and Little Oakley it was the imagination of one man which provided their continued existence. Two years ago Derrick Dunn, General Secretary of the Northamptonshire Rural Community Council, visited Orton church and, spotting its fine Norman stone font, much the most interesting feature in the building...

Plans for the 1979-80 season of the Welsh National Opera, announced last week, include five new productions. Tristan and Isolde will be sung in German in a production by Peter Brunnner, the Bremen Opera Director, conducted first by Richard Goodall and later by Richard Armstrong...

church or chapel of ease within the Church of England winds its way from use to redundancy, and from redundancy to use or demolition. There are, somewhat byzantine, a complex process of consultation starts with the Council for Places of Worship which reports once redundancy has become a possibility...

Responsibility for redundant churches passes to the diocese and there is considerable disparity between the attitudes of one diocese and the next. In the Diocese of London between 1968 and November 1977, 46 churches were declared redundant of which half have been...

Welsh National Opera plans

Plans for the 1979-80 season of the Welsh National Opera, announced last week, include five new productions. Tristan and Isolde will be sung in German in a production by Peter Brunnner, the Bremen Opera Director, conducted first by Richard Goodall and later by Richard Armstrong...

or are about to be demolished. The necessity to realise the commercial value of a site brings pressure to bear and under forthcoming amendments to the Pastoral Measure the waiting period on demolition will be reduced from a year to six months, intensifying such pressures.

The maze of bodies and legislation that surrounds the process is further complicated by the Faculty Jurisdiction Act (1964) which determines the situation for churches in use, if they are to be replaced or reduced in size.

The Church of England bears responsibility for some 18,000 churches and chapels of ease. The scale of the problem when non-conformist chapels and churches of other denominations are added is brought out in Marcus Binney and Peter Burman's book "Churches and Chapels: Who Cares?"

Churches in 1979 are perhaps less vulnerable than they were ten years ago. Solutions are more forthcoming, officials are more willing to help. Yet the area of concern is still immense—it is a problem for every town and village in the country and one with which everybody should concern themselves.

Coliseum

The Marriage of Figaro

Jonathan Miller's production of The Marriage of Figaro for English National Opera has returned to the Coliseum with seven principals new to London audiences. It is a strong, well-balanced cast that now fills out Dr. Miller's striking framework.

Felicity Palmer, who sings the Countess, is particularly good at expressing strong emotion without moving a muscle. Her silent disapproval of the Count's attempts at intrigue during the marriage festivities has the power of a high-voltage electric current.

Northcott, Exeter

Motherdear

"Motherdear" was what her children called her. "You're the most beautiful mother any chap ever had," her younger son George assured her. Everyone loved her except her husband; he was too busy loving other people, and did not share much in the picnics, parties and balls that made up most of Motherdear's life.

ness, totally lacking in the pertinence of a typical soufflé. Alan Opie gives Figaro a genial temperament that allows him to most and deal with all emergencies unperturbed. Only the apparent infidelity of Susanna in the last act has the power to ruffle his good humour.

Shelagh Squires, nobly resisting all temptation to caricature Marcelina, finds her aria uncomfortable high but otherwise sings sympathetically. Harold Blackburn's equally unswerving Barolo and Stuart Kale's unctuous Basilio fit snugly into Dr. Miller's carefully imagined household.

ELIZABETH FORBES



Leonard Fenton and Angela Pleasence in 'The Square'

New End

La Musica/The Square

by MICHAEL COVENEY

The plays of Marguerite Duras are rather like Gallic short stories in the New Yorker: slight, mordant, felicitously phrased, ephemeral. They are not my cup of tea, nor does Nicholas Renton's lacklustre direction of these two short pieces do anything to assuage me in my prejudice.

The best performance of the evening is by Estelle Kohler in La Musica: a newly divorced husband and wife sit up in a hotel lounge to chew over their

past, re-live the husband's jealousy and elaborate upon the wife's former insistence on privacy within a relationship. "How to make memories less painful" is the name of the game, although the practical furniture also looms small. Miss Kohler has a wavering upper lip ideal for Duras, although even she fails to raise a laugh, intended or otherwise, with the line "Some people spend the afternoon weeping when love starts to languish; I go to the races." Her partner in hate is Michael Howarth.

BBC 2/Radio 3

Albert Herring

by ARTHUR JACOBS

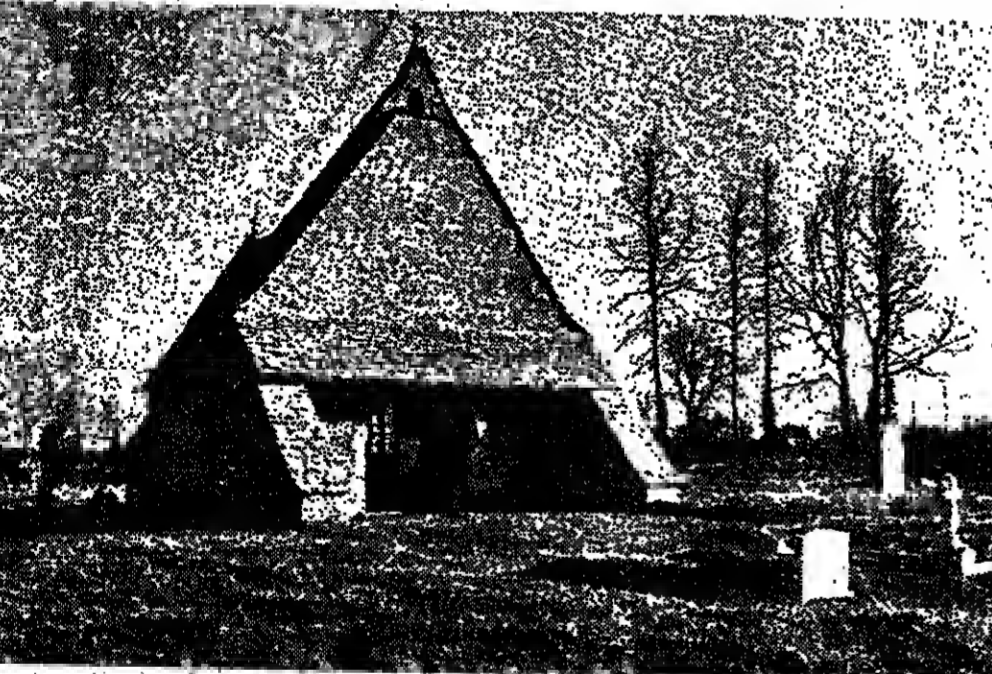
Even when the orchestral sound is as prominently recorded as it was with this Albert Herring, the "tuning" of an opera on television tends to establish itself in visual rather than musical terms. The mockery of English village types—a mockery which is entirely conventional and predictable—is sufficiently acceptable when the subtle sonorities of Britten's score beguile our ears in the theatre, but on television I found the fun wearing thin over the full three-act length.

The theatre was, unexpectedly, in Missouri. We joined the audience of the Opera of St. Louis, where the cast had been reinforced with the formidable British presence of Pauline Tinsley as Lady Billows, as well as of David Ward in the sub-

sidary role of Superintendent Budd of the Lozford police. The sight of the orchestra and the conductor, John Mortley, framed the performance, once again the television director for the BBC (in co-operation with WNET, New York), to contrive the least possible interference with the theatrical illusion, save necessarily in pictorialising the orchestral interludes between scenes.

In the otherwise American cast, James Boback as Albert himself was outstanding. The simple youngster who is chosen May King is virtuous enough to be May Queen, and who finally kicks off the traces of his mother's repressive hand, is not an easy role. Can he really be so simple? Here the dead-end earnest manner, creeping into a smile only when Albert silently joins those who are mourning his supposed decease, was exactly apt—and the music was attractively sung too.

Pauline Tinsley, vocal whether on a Tudor throne or (as here) in a late-Victorian village, also had her moments of comic triumph as Lady Billows, and her voice fully encompassed the rich range of the part. Mostly she had taken trouble with clarity of diction, but I fancy



The Leigh—one of the redundant churches finding a new lease of life

SOCCER

Forest press on with Clough plan

THE TWO most impressive Second Division teams in 1978-79 were Chelsea and Wolverhampton Wanderers. The manner in which both gained promotion suggested they would do reasonably well in the First Division.

Now, two years later, Chelsea, having survived one undistinguished season, have already accepted relegation as inevitable, while, though the Wolves should escape the dreaded drop, this is due less to their own ability and more to the large number of inferior teams in the bottom half of the First Division.

day the enormous gap which now exists between doomed Chelsea and the holders of the League title, who achieved one remarkable double last season and have another in view, was plain for all to see.

These two struggling clubs, who promised so much such a short time ago, provide (almost inevitably) under new managers classic examples of the ups and downs of football. At Stamford Bridge on Satur-

day the enormous gap which now exists between doomed Chelsea and the holders of the League title, who achieved one remarkable double last season and have another in view, was plain for all to see.

Of course, it makes a considerable difference having a footballer with the class of Francis as cover for his present spearhead of Birles and Woodcock, but the real strength lies in the pattern Brian established which not only gives away nothing at the back but involves using the ball out of defence exceptionally well, accuracy, skill and effort.

Forest have been able to provide much money to improve both the team and the ground facilities, whereas Chelsea, with the burden of a seven-figure overdraft, have been fighting a continual battle to reduce this heavy load and to survive. There has been little cash to spare on players.

tain and football philosopher, Danny Blanchflower, to take over the reins.

Danny, with his deep love of the game, has it is good to say, remained a romantic at heart, with a mission for pure—this adjective pronounced with the purity that only a Northern Irish accent can fully convey—football.

He could not turn to such tactics as a realist would probably have adopted—keep it simple, make it a difficult as possible for the other side, settle for total commitment rather than skill, defend in number and depth, hope to cash in on the odd error by the opposition.

This strangulation football can bring limited success for a limited period but would have represented a betrayal of Danny's principles.

RUGBY UNION

Tour gives coach Davis fine chance

THE ANNOUNCEMENT of England's party to tour the Far East last week was the first act of the new selection regime. Budge Rogers is now chairman and Mike Davis, who finished playing in 1970, is the new coach.

Both are well aware of the task ahead of them as they survey the debris of a season which had promised so well. The lessons have been largely negative, in that England has still not found an inside pair who can release the ball quickly to the three-quarters. Thus there has been an inability to translate possession into points, and this was clearly demonstrated in the Scottish and Welsh matches.

has been interesting to see how France work off the ball, whereas some England players would not accept their responsibility in that field.

The national side must reflect the game in the country, and England, despite the absence of Croton and Urtley, have developed a pack of ball winners. This tour, and the under-23 tour of France and Italy, must be used sensibly, and the national team for the East was elected from players who are serious contenders for the full international side next year. It would appear that both Urtley and Dixon have played their last game for their country, but we shall see.

Huw Davies is tremendously interesting. It is possible that Rogers will invite some new selectors, and since we are to revert to divisional matches next season presumably there will have to be a new Midlands selector in place of the new chairman.

Moseley has two strong contenders in John Finlan and John White, but with the need to preserve a forward-back balance, Rogers might opt for a three-quarter, Bill Gittings, of Coventry, is a possibility, but Finlan would seem to be favourite. It is understandable that any committee should be updated, but I think wholesale replacement is unlikely, because a certain continuity is essential. Rogers would be well advised to consider the claims of people like Bob Hiller, John Pullin, J. R. C. Young, Terry Jordan and John Spencer.

The new pairing will also want to have the whole squad at the pre-match sessions, not just the team and six replacements. In this way some semblance of realism can be achieved. Rogers is totally opposed to skeleton rugby which he believes has been responsible for the dissolution of England's backs under pressure.

Davis comes to the job with impressive credentials. An outstanding coach of the England XV and XIX group teams, he says that there is no such thing as a super-coach, merely super selectors. I think he underestimates his own contribution, and with his wide playing experience I do not envisage any problem in the delicate transition from coaching students to coaching the national side. He will be looking for reaction to the man with the ball to make gaps. It is said that this should have to be referred to at all, indicating as it does that coaching in England has not made comparable progress with coaching in other countries. Davis has a glorious opportunity to project his ideas on the Far East tour, and to establish the players' confidence.

RT GALLERY

LUBS

A guide to underground economics

BY DAVID FREUD

Callaghan's manifesto

THE LABOUR Party Manifesto published at the weekend bears a heavy imprint of Mr. Callaghan. If there is a political philosophy that can be called "Callaghanism," it is all there.

This interventionist — Mr. Callaghan would say "partnership" — approach reaches into relations between government and the individual. It is part of the Callaghan philosophy that the State should be available to help the citizen in ever more spheres.

There are also questions that need to be asked about Mr. Callaghan's concessions to the Left wing of the party, and about his compromises. The statement that "we shall continue with our plans to reduce the proportion of the nation's resources devoted to defence" is a straight concession.

There are also questions that need to be asked about Mr. Callaghan's concessions to the Left wing of the party, and about his compromises.

Competition for investment

UNLESS there is a last-minute blip, Ireland's Industrial Development Authority will announce today that Mestek, one of the leading U.S. semi-conductor companies, has decided to build a testing facility and eventually a manufacturing plant near Dublin.

On the face of it the only winners from this type of competition are the international companies themselves, but even they must wonder whether the short-term financial benefits of a particular project outweigh the damage to the world trading system which is taking place as a result of the indiscriminate use of investment incentives.

Both these aspects have the effect of distorting normal competitive forces. There are international agreements, within the EEC and in the wider OECD framework, which deal with international investment problems, but they need to be strengthened. In 1978 the members of OECD agreed to take into account possible damage to other member countries if they provided special incentives to attract inward investment.

THE early Christian community in Jerusalem had no problem with tax evasion, even though it taxed the entire proceeds of capital sales made by its members.

Such a figure is not out of keeping with estimates made for other advanced economies. Independent researchers put official activity in the U.S. at 10 per cent of gross national product, and in Italy at about 20 per cent.

Remarkably little research

There has been remarkably little research done in the UK on the subject, either by Government officials or by academics. To an extent this is due to the nature of the problem.

MEN AND MATTERS

Joining the squad at half-time Professor Douglas Hague, Margaret Thatcher's new economic adviser and speech writer, is more of a political butterfly than his Tory war cries.

At the time he was widely thought to favour the co-op being taken over by the National Enterprise Board, a solution of which Thatcher would certainly disapprove.

After an abortive attempt to return CBE to the private sector it is now in the hands of a liquidator. "It may have been politically radical, but not managerially," says Hague.

SPENDING BY SELF-EMPLOYED AT DIFFERENT LEVELS OF DECLARED NET EARNINGS (1977)

Table with columns: Weekly net earnings, Self-employed, Manual workers, Clerical workers, Administrative & managerial, Professional & technical. Rows show spending levels from £40-£60 to £100-£150.

CIRCULATION OF £10 AND £20 NOTES (Aggregate value)

Table with columns: £10 & £20 NOTES, ALL NOTES, CONSUMER SPENDING. Rows show years 1972, 1974, 1976, 1978.



Sir William Pile

It is difficult to regard such activity as contributing to welfare and output. Some economic activity is excluded from the national income by definition — such as Do-It-Yourself and work by housewives.

Dependent on cash

The roughest of calculations shows that, taking £10 a week as the average discrepancy, the £10m self-employed would have been spending an extra £1bn in 1977 than they would as employees.

Pay As You Earn income tax collection system for employees. This leaves very little room for evasion, though "irregularities" in PAYE payments have been growing a little over recent years.

Ambiguous evidence

The evidence on double holding, or moonlighting, rather ambiguous. Some academic work has been done in this area by Mr. Jeremy Aldred of the University of Warwick.

Was he, I asked, a card-carrying Tory? "Do I have to answer that question? I make a significant contribution — about the same as to Manchester United. I go to every home league match."

Making excuses

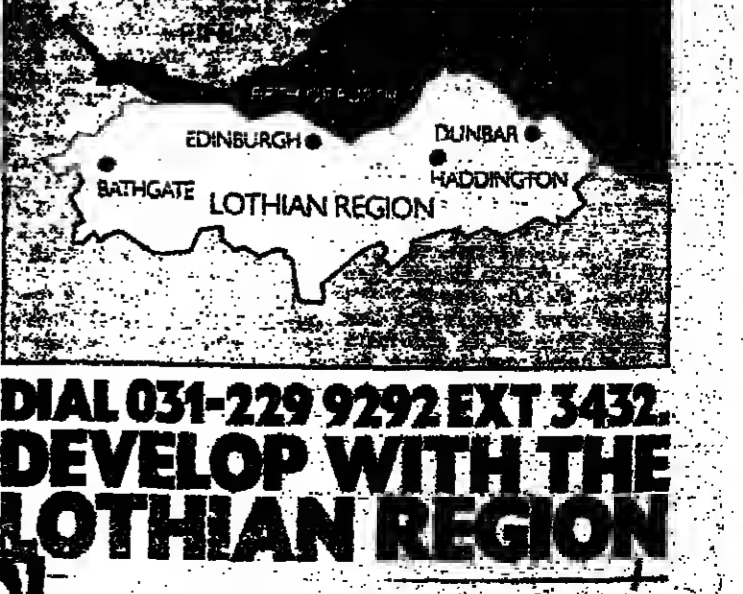
Come hell or dustmen's strike, lawyers, one would imagine, never have to suffer the indignity of jumping their own household detritus to enter-gency dumps.

Zillmerized

An insomnia of my acquaintance has just discovered the cure for his trouble — an EEC directive on direct life assurance.

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# FINANCIAL TIMES SURVEY

Monday April 9 1979

مكتبة من الدول

# ITALY

## The crisis as usual

By Rupert Cornwell

UNEASE AND uncertainty are yet again the hallmarks of Italy. The political truce which flourished briefly in the aftermath of the kidnapping and murder of former Prime Minister Aldo Moro has ended with the collapse of the unnatural alliance between Christian Democrats and Communists, the country's two largest parties. The inevitable outcome, despite the procrastination of the politicians, is a general election two years before the scheduled end of the current Parliament in the summer of 1981.

An interlude of comparative stability is over, and once more — to foreign eyes at least Italy's gradual drift towards political and social breakdown appears to have regained momentum. The economic recovery which has proceeded steadily since the disaster year of 1976 suddenly looks distinctly precarious. At the same time terrorism, as is its wont in periods of acute political uncertainty, has increased, while a fresh outbreak of scandal, this time embracing even the Bank of Italy, one of the country's most esteemed institutions, has muddled the pre-electoral waters even more.

On a more personal level, within the last fortnight Italy has lost one of its most respected elder statesmen, the veteran leader of the Republican Party Sig. Ugo la Malfa. His death, a year after the Red Brigades assassination of Sig. Moro,

has only served to heighten the impression that the country's current crop of politicians, and in particular the Christian Democrats who have ruled Italy without interruption since 1945, hardly measure up to the task which faces them. This is the climate in which elections will be held — the result of which, it is commonly observed, is unlikely to bring any radical change from what has gone before and thus break the deadlock which paralyses the country's political development.

The root cause of that deadlock, of course, is the question of the Italian Communists (PCI), the largest and most significant of the west's so-called "Euro-Communist" parties. Their claim to some form of association with the Government process became irresistible with the June, 1976 general election, which saw the PCI come with 4 per cent of the Christian Democrat vote, and a severe squeeze of the smaller intermediary parties with whose aid the Christian Democrats had governed Italy for 30 years.

### Conflicting

To reconcile the conflicting goals of the Communists' demands for power, and the national and international pressures that they should not have it, the country has since lived by political experiment. The first phase, which endured until January, 1978, allowed the Communists to keep a minority Christian Democrat administration alive by their abstention. When this clearly failed to satisfy their aspirations, a new formula was devised under which the PCI was permitted into the parliamentary majority supporting Sig. Giulio Andreotti's Government, but again without direct participation in the cabinet.

However, by last January the contradictions of this role, of being, in the words of Sig. Enrico Berlinguer, a party of "struggle and government," had become too great, and the

Italy's economic recovery has solved none of its political problems. Nor are the elections, now due this summer, likely to do anything to break the deadlock in the country's political development or produce a generally acceptable role for the Communist Party. And there are signs that the next round of wage negotiations may affect economic plans.

disfranchisement of party militants too big to ignore. Without Sig. Moro, the one Italian politician seemingly able to reconcile the irreconcilable, to restrain the rightward drift of his own Christian Democrat party, the Communists felt they had no alternative but to return to the comforts of opposition, even if that meant elections, at which the PCI is expected to lose some ground. The last hopes of avoiding them effectively disappeared on March 31 when Sig. Andreotti's fifth government, a Christian Democrat-Social Democrat-Republican coalition, with no pre-arranged majority, was thrown out on the vote of confidence in the Senate.

The indications of regional and local elections in 1978, supported by opinion poll findings, is that Italy will experience a shift to the right at the forthcoming poll: but the key question is by how much. It could be that it will provide scope for the formation of a Christian Democrat Government without even the inclusion of the socialists, whose 9.6 per cent of the 1976 vote gave them, in effect, the balance of power.

But if, as also seems possible, the outcome does no more than give the ruling party a couple of points more, and the Communists two or three fewer, then the dilemma will remain. The Communists will remain by far the largest party on the Left, reiterating the claim that without their involvement Italy cannot be governed. The celebrated strategy of the "historic compromise" remains, even if, as the 15th national congress of the PCI last week underlined very clearly, the party will adopt a much more hostile approach towards the Christian

Democrats. This is not merely dictated by the imminence of an election campaign, but is a consequence of the disillusion felt after 2½ years of life in political no man's land. Not surprisingly, Sig. Berlinguer has again reaffirmed the PCI's demand, which is likely to last beyond polling day: either directly in government or directly in opposition.

It is a measure of the extent of the economy's recovery that the seemingly insoluble political crisis, the sensational arrest of the deputy director general of the Bank of Italy, and the summons issued against Sig. Paolo Bassi, the Governor, in connection with the SIR (Societa Italiana Resine) financial scandal have had so little effect on the lira or the domestic stock market. Italy has transformed a 1976 balance of payments deficit of \$1bn into a record 1978 surplus of almost \$8bn, among the largest in the industrialised world. Last year gross domestic product rose by 2.8 per cent, fractionally under the average for the Common Market, but the signs are that 1979 could see an increase of 4 or even 5 per cent. Foreign exchange reserves, excluding a substantial gold stock, stood at over \$12bn by the end of January, while the lira has been one of the star performers in the early weeks of operation of the newly launched European Monetary System.

The dollar, the currency to which most of Italy's enormous raw material and energy imports are denominated, remained weak against the lira, while those of its principal export customers and competitors in northern Europe were strong. Italy thus had the best of all worlds, and could combine a well-managed downward float of its currency against the former EEC "snake" bloc, while replenishing its reserves as the dollar suffered.

That period, however, is probably ending. The recent spate of oil price increases will add L1,500bn (£900m) or more to the import bill, make inroads into the country's trade accounts after a miraculously tiny deficit of L348bn (£200m) in 1978, and exert further pressure on prices. Inflation, indeed, is the greatest menace of the moment. After a steady year in 1978, retail prices are again rising at an annual rate of over 13 per cent, and some pessimists fear it might be nearer 20 per cent by the end of 1979.

### Recovery

But how long will this happy state of affairs last? In part the extraordinary recovery from the brink of calamity has been due to international circum-

stances. The dollar, the currency to which most of Italy's enormous raw material and energy imports are denominated, remained weak against the lira, while those of its principal export customers and competitors in northern Europe were strong. Italy thus had the best of all worlds, and could combine a well-managed downward float of its currency against the former EEC "snake" bloc, while replenishing its reserves as the dollar suffered.

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One reason for the gloom is the familiar cycle of the Italian economy, whereby an upswing is actively unfavourable to a rise in imports, a weaker lira and a surge in inflation. Another, and more important, reason is the possible repercussions of the present round of 1979-81 wage contracts, embracing 10m workers in almost every key industrial sector. The political tooth-sharpening of the Communists has spread to their union allies, and many employers claim that the outcome of the talks, which look very difficult at present, will be an increase in labour costs which neither companies nor the economy can safely bear. It was

to try to iron out these structural troubles, above all by containing labour costs and curbing the insatiable appetite of the public sector, that the Government drew up a three-year economic recovery plan last January. But with the political crisis, the programme has been shelved, and its prospects of speedy implementation are slim.

In fact, what is happening in the Italian economy appears more and more to reflect what is happening in the country at large: a widening of the split between the two Italys. The contrast is not as simple as it was when a dynamic prosperous and European north had to be set against the south, impoverished, and still the prisoner of inept Government intervention, of its history, its culture and its attitudes.

That division still exists, but upon it have been superimposed many others. In economic terms — and at the risk of oversimplification — there is on the one hand the public sector, for the most part unwieldy, loss-making and riddled with the age-old Italian vices of patronage, and excessive bureaucracy. On the other is the private sector, inventive, aggressive and largely made up of medium and smaller companies, the true backbone of Italian industry, many of which operate in spite of (rather than within the framework of) the country's recognised structures. The extreme example is the so-called "submerged" economy, which accounts for anything up to one-fifth of the official GNP, but which has only recently begun to appear in the statistics. Stung by repeated criticism, ISTAT, the central statistics institute, has just

revised its estimates of the national accounts, adding an extra 10 per cent to GDP to take in the clandestine sector. In a host of other fields, too, private enterprise is stepping in to make up for the services that the state cannot provide: in education, for example, there are now "private" universities to give a specialised relevant training, apparently beyond the capacity of much of the chaotic state education system.

In the broadest sense, there is a powerful centrifugal force at work, away from the state and the Government, which are unable to perform many of their most obvious functions. The ensuing fragmentation, and the self-reliance of the people, are undoubtedly the reasons why disasters — so frequently predicted for Italy never quite seem to happen. But the price the country pays is very high.

### Failures

In economic terms, the lack of central direction by the Government has led to some epic failures: most notably in the chemical industry, which after headlong and unregulated growth in the early 1970s is today virtually bankrupt. The SIR disaster, and the intricate subplot of political and industrial intrigue which is now emerging, is but the most spectacular facet of this. It has also meant that economic management has largely passed by default to monetary policy and the Bank of Italy, as Sig. Guido Carli, the previous central bank governor once remarked, a bit like "driving a car with only the brake and the accelerator."

In social terms, Italy has paid if anything more dearly. Most public and welfare services are a shambles, and as the boom of the 1960s fades from the memory, their shortcomings become daily more glaring. But to correct them implies an overhaul of the public sector that is simply not on the cards. In the meantime, the latter's deficit, of around

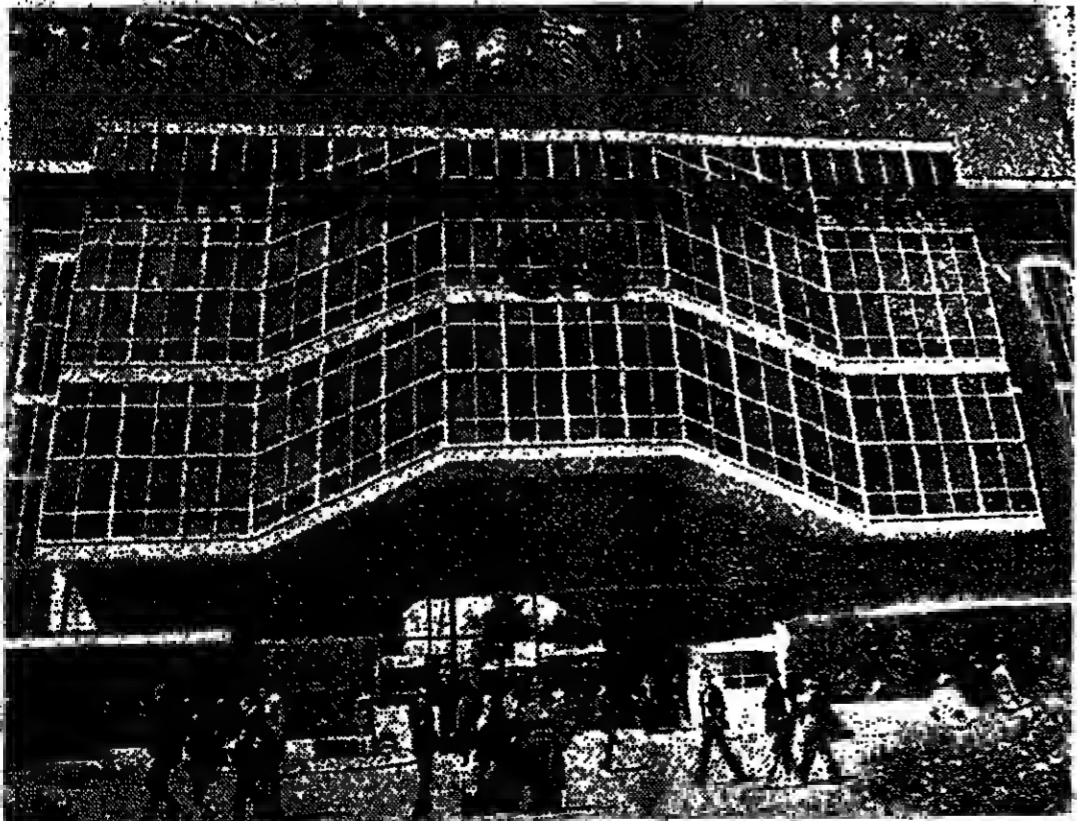
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L 35,000bn a year, over 15 per cent of GDP, is the largest single milestone around the neck of the economy.

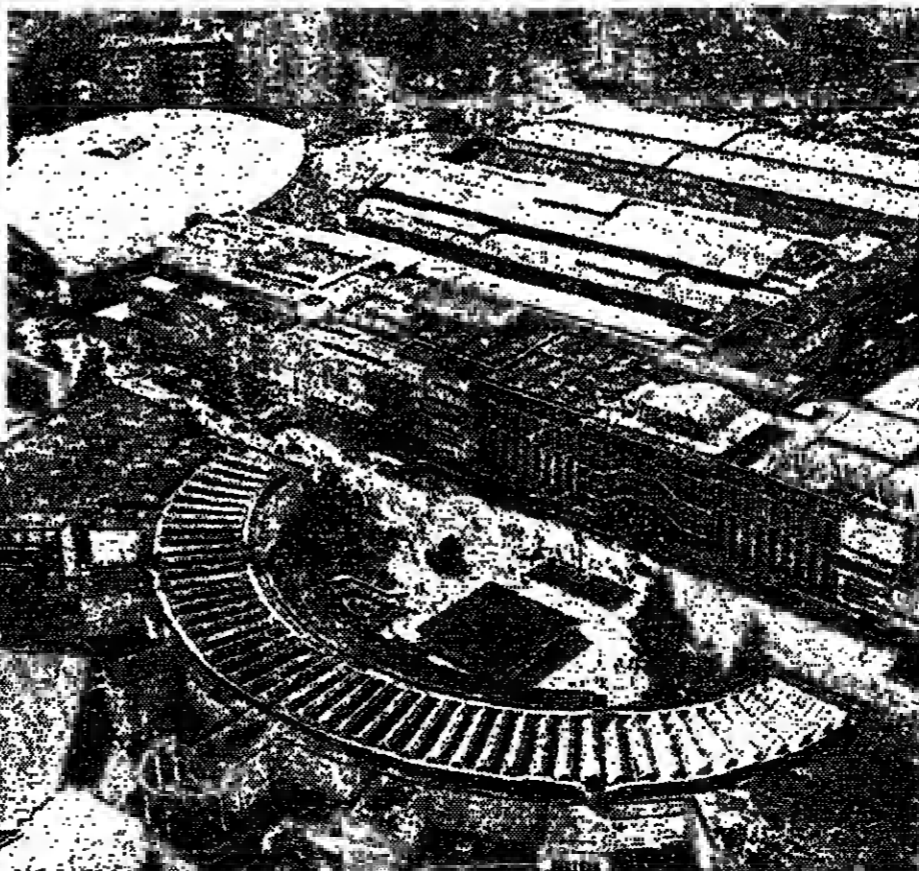
Most dramatic of all has been the breakdown in law and order, and the growth in terrorism, which may be seen as the ultimate variant of people "doing their own thing" in the absence of central authority. To judge by the number of arrests, the police are making inroads into terrorism. But as fast as suspects are rounded up, new groups surface to perpetrate fresh atrocities. Magistrates, unionists, politicians, police officers and journalists are among recent victims. Not least disturbing has been the growing tendency of common criminals to shelter behind pseudo-political labels, thus making the police task ever harder. At the heart of the troubles lies the public's basic distrust of its rulers, all too well justified by the experience of generations. True, the outcome of the Lockheed payola scandal, which saw a former cabinet minister jailed for the first time in Italy's republican history, was a sign of sorts that things might be changing. But the rumours and allegations surrounding the latest developments in the SIR affair, to name but one, suggest otherwise.

# 57<sup>th</sup> MILAN TRADE FAIR

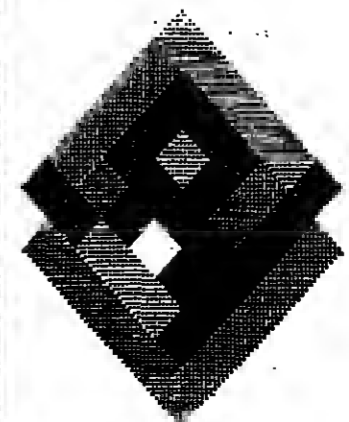
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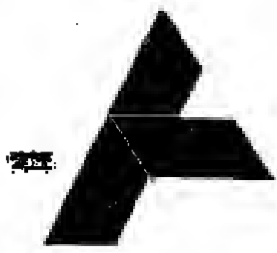


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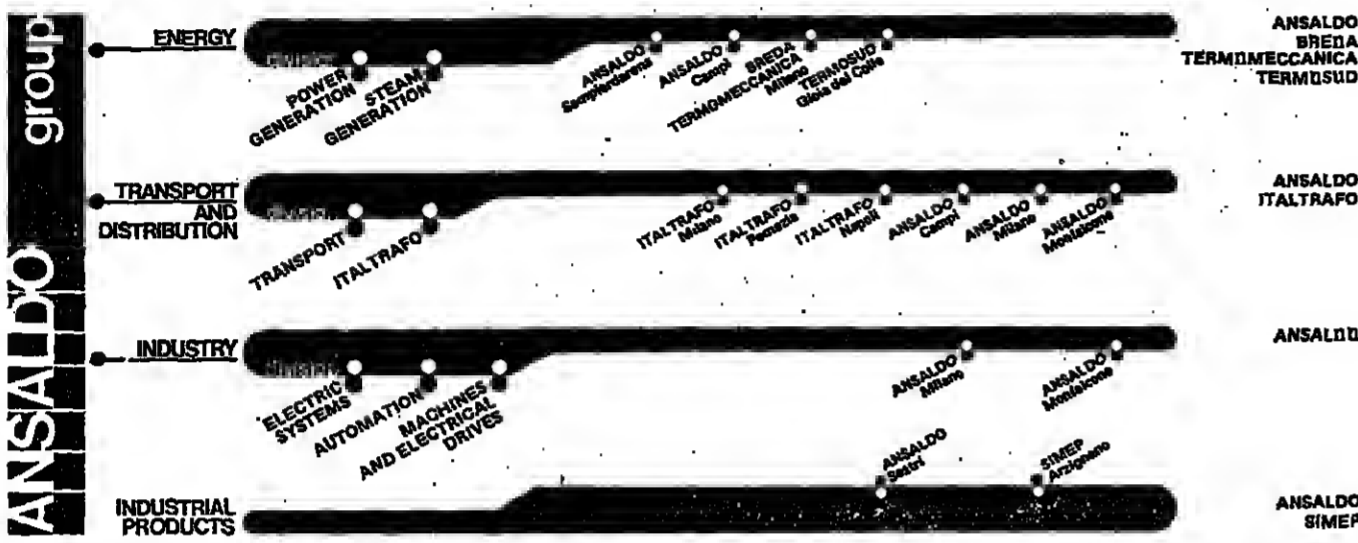
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مكتبة الهلال

## ITALY II

### The economy

# Weaknesses remain

ALTHOUGH THE lira is continuing to fare surprisingly well and has been one of the strongest of the currencies to join the new European Monetary System, there are now signs that the Italian economy could come under pressure again.

A worrying trend in inflation over the past few months was confirmed by official figures showing a 1.5 per cent rise in Italy's retail price index last February, representing an annual rise of 13.4 per cent. This is above the country's official target of an annual inflation rate of 12 per cent this year, and the Italian monetary authorities have warned that unless immediate steps are taken to correct the fundamental structural distortions of the economy and contain new wage increases, inflation is likely to run at an annual rate of 13-14 per cent this year.

At the same time, industrial output after the encouraging trend of the last quarter of 1977, appears to be faltering, and the Italian National Employers Confederation is already suggesting that industrial production is likely to decline steadily later this year. The country's balance of payments surplus, which totalled a remarkable L6,900bn last year, is also beginning to fall, although the deficit of L34bn in the overall balance of payments in the first two months of the year was in large part due to the early repayment of international loans.

Further worrying signs have come from recent trade figures showing a L318bn deficit in the country's terms of trade in January. While recent returns indicate that the volume of trade may have been understated, the January figures, which follow a deficit of L545bn in December, suggest the overall trade position is weakening after the spectacular performance of a virtual balance achieved last year.

In its latest report on Italy, the Organisation for Economic Co-operation and Development (OECD), recently warned that "the spectacular recovery of the current balance appears to be largely linked with cyclical or special factors. The recent improvement in the terms of trade reflects temporary factors, and the pendulum might rapidly swing the other way in the event of a shift in the exchange rate relations with the leading currencies and a rise in raw materials and oil prices."

The improvement in the country's overall economic position during the two years since the 1976 lira crisis, when the

authorities were forced temporarily to close down the foreign exchange market, has largely been the result of skilful monetary policies and a clampdown on growth, which during the past two years has averaged barely 2 per cent. The decline of the dollar and lower import demand due to the recession also assisted the marked reduction in the country's crude trade deficit during this period. At the same time, record tourist receipts have had a notable effect on the invisibles account.

However, the basic weaknesses of the Italian economy have persisted. Unemployment is rising. The official figures, according to which about 1.6m people are unemployed, 7.5 per cent of the total workforce, only tell part of the story, since more than 70 per cent of the unemployed are young people under 30 years of age.

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### Crisis

Some of the country's key industrial sectors, including chemicals, textiles and steel, are in a state of crisis, and the threat of plant closures and the absence of rational rescue operations is likely to afflict, in particular, the depressed south of the country. In turn, this threatens to widen even more the rift between the South and the industrial North.

In view of growing demands to stimulate growth, a draft three-year (1979-81) economic recovery plan was drawn up by the Treasury Minister, Sig. Filippo Maria Pandolfi, at the end of last summer. At the time, Sig. Pandolfi said the object of the plan was to take advantage of the favourable short-term economic situation by putting into effect a medium-term programme to lay the basis for sustained and stable growth during coming years.

The main purpose of the programme was to tackle the two principal distortions of the country's economic system. In the first place, the public sector borrowing requirement, which according to the Treasury Minister had grown like the tentacles of an insatiable octopus, was to be reduced. In unchanged circumstances, the PSBR, which had grown over the years to meet the expanding costs of the device cannot be dropped. That L30,000 therefore is an extra L30,000 in real purchasing power.

This ambiguously has threatened to undermine the three-year economic recovery programme of Sig. Filippo Maria Pandolfi, the Treasury Minister, before it was overtaken in January by the Government's collapse. Sig. Pandolfi's hopes of containing labour cost expansion rested on what boiled down to an incomes policy, which would ensure no real increase in purchasing power over the rise in productivity.

### Trade unions

# Moderation at stake

FOR THE Italian trade union movement, 1978 is likely to be one of the most important in recent years. Most obviously 10m workers from the entire spectrum of industry are in the process of renegotiating their national contracts to cover the period until 1981.

The outcome, in sectors ranging from key engineering and mechanical companies such as Fiat and Olivetti, to the chemical industry, farm labouring and the civil aviation construction industry, will condition—perhaps more than any other single factor—the Italian economy's development for the next few years.

At a deeper level, though, there is at stake the whole moderate stance of the unions, commonly held to have originated at the 1978 Rome congress of Italy's equivalent of the TUC, the federation of the three major Italian unions, CGIL.

The dilemma of the movement mirrors that of the Communist party, with which it has close links, at a political level: of its own "historical compromise," whether to press on with a programme that appears to be ensuring and alienating much of the rank and file.

The double character of the unions, seeking both to be partner in political dialogue and defenders of the narrow interests of their members (the three big confederated unions have 5.5m registered members), is illustrated clearly by the demands outlined in the first contract plothum in emerge, and above all in the claims of the 1.5m metalworkers, who traditionally set the pattern for Italian pay bargaining rounds.

Notably, leaders are seeking a cut in the working week from 40 hours to between 36 and 38 hours, a specific shift of investments towards the Mezzogiorno, the country's depressed south, a greater say in corporate planning (the debate over industrial democracy is growing somewhat belatedly, in Italy too) and an extra L30,000 (£18) per month during the life of the contract.

This amount may not seem much in comparison with the

formidable percentage increases demanded by some British unions, with whom their Italian counterparts are so frequently compared. But, in fact, it is an increase over and above the provisions of the Scala Mobile mechanism for automatic wage indexation, which for salaries of up to L400,000 (£240) per month offers 100 per cent protection against increases in the cost of living.

Despite hostility to the Scala Mobile from Italy's orthodox economic establishment, on the grounds that it merely builds inflation into the system, the Government has accepted that the device cannot be dropped. That L30,000 therefore is an extra L30,000 in real purchasing power.

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Though that government has been replaced, doubtless remains between the unions and the employers' association, Confindustria. In recent weeks Sig. Guido Carli, the organisation's president, has spelt out time and again his opposition to the calls for higher pay and for industrial democracy. The same hard line has been reflected so far in the individual sector-by-sector negotiations.

The absence of an authoritative government in act as go-between in the negotiations, and indeed the near certainty of general elections in June this year, makes it distinctly possible that the talks will drag on for some months yet.

This, in turn, confronts the unions with other problems of a more delicate political variety, do they press ahead with large-scale strikes to support their demand, or do they soft-pedal matters for fear of damaging the electoral prospects of the Communists?

The signs are that they will take a careful middle course, with regular strikes but not of great length or intensity. Meanwhile parallel talks with Confindustria have been broken off amid wholesale disagreement over job mobility, unregistered labour, and unemployment among the young. The unions eventually hope to secure from individual employers what they would not be able to wring from them collectively.

But the authority of the movement is most starkly challenged by the so-called "autonomi," the smaller independent unions. Their vigorous action has helped undermine the whole understanding, however precarious, on which the previous moderate line rested: that the unions would be reasonable in pay, in return for a genuine increase in investments—above all in the Mezzogiorno to create new jobs and reduce Italy's current 1.6m-strong army of jobless.

Before the Andreotti Government fell, it was evident that labour was taking a tougher approach, proclaiming its dissatisfaction at the measures proposed by the Pandolfi plan. Much water has passed under the bridge since Sig. Luciano Lama, the secretary of CGIL, the biggest union, had declared in a January 1978 newspaper interview that "we accept that the economy will not withstand too many unknown variables," and publicly advocated wage moderation.

The autonomi began their campaign last summer with a series of wildcat strikes that reduced travelling by air and train in Italy to a lullery for weeks on end. In the autumn came a fresh wave of strikes over many of which—like those of hospital workers which saw troops sent in to keep basic public health services maintained—the main unions had almost no control. The most spectacular strike of all was this February and March, when hostesses and stewards of Alitalia and Alitalia's sister country's domestic and inter-

national airlines for more than a month.

A lawsuit was offered the spectacle of "battle committees" of militants in seemingly permanent meeting at Fiumicino Airport, Rome, while Ministers and leaders of the official unions went vainly through the motions of trying to negotiate a settlement, and Alitalia itself flatly refused to have anything to do with the strikers.

Wildcat industrial action has only heightened the difficulty of the union movement in retaining its credibility, already sorely tried by the inevitable political pressures that were eating away at its unity and cohesion.

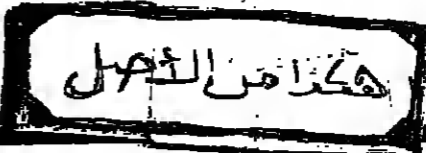
At the same time its authority, in fact if not in name, has been reduced by the recent prosperity of the so-called "submerged" economy, estimated to account for up to 15 or 20 per cent of the country's total GDP.

The fact that much of the vitality of this sector is due to the lack of a ponderous official union superstructure clearly does nothing to restore the standing of the centralised movement. Its leaders may hold forth against the iniquities of the underground economy, and the poor social protection of those who gain a living there, but every sign is that this sector is growing more vigorously than any other.

The main task now for the unions, as their leading spokesman, acknowledges, is to "win back the trust and confidence of the rank and file. They admit that they have been lured too closely into the embrace of the politicians, particularly at a time of proclaimed "national unity," which saw the Communists—part of the government coalition—nothing in restoring a more American stance, keeping clear of too close an involvement. "It's an arduous business for us, being both independent and industrial," says Sig. Agostino Marinetti, Sig. Lama's deputy. Whether it can be achieved will depend above all on political developments.

Paul Betts

Rupert Corwell



Politics

Once more on the brink of elections

ITALY IS once again on the brink of a general election, following the collapse of the alliance between the country's two main parties—the Christian Democrats and the Communists, which between them account for more than 70 per cent of the electorate.

With a peculiar sense of dramatic irony, the alliance has broken up practically a year after the death of Sig. Aldo Moro (the one undisputed leader of the Christian Democrat Party), kidnapped and assassinated by extreme left-wing Red Brigade extremists, some 12 months ago.

Indeed, it was Sig. Moro who was perhaps the main advocate of that policy of collaboration between the country's two main parties, which, by an equal sense of dramatic irony, came to fruition on the very day he was kidnapped—with the formation of Sig. Giulio Andreotti's fourth government.

It involved a governing alliance in which the minority Government of Sig. Andreotti was supported in Parliament by the Communists and Socialists together with the backing of the smaller Republican and Social Democrat Parties.

The alliance enhanced the presence in their governing process of the Communists, who, since the inconclusive general election of June, 1976, had only given their external support to a minority Christian Democrat administration, without actually bringing them directly into government.

**Concept**

The fundamental concept was to enable the formulation of an all-party programme to tackle the country's most pressing economic, social and law and order problems, while laying the basis for a truce between the two main parties.

Yet, as soon as it was formed, this essentially unnatural governing alliance was cracking in the face of renewed hostilities between the Christian Democrats and the Communists. The latter have lately publicly accused the ruling party of breaking the collaboration pact

and of no longer following Sig. Moro's policies.

Before pulling out of the Parliamentary majority, the Communists broke ranks and voted against the minority Government on two occasions. First, they voted against the decision of Sig. Andreotti to take Italy immediately into the new European Monetary System, and subsequently voted against the nominations of the new chairmen for the country's largest State corporations.

The Communists have since unambiguously and firmly stated that they could only collaborate in a government of so-called "National Unity" if their members were included in the cabinet. Indeed, at its 15th National Congress in Rome at the end of last month, the party indicated it intended pursuing this hard line which would see them opposing any future government in which they were not directly represented.

At the same time, the Christian Democrats have rejected with equal firmness the presence of Communist cabinet ministers. This deadlock has made a new general election inevitable.

However, the Communist Party's hard line and its demands for direct participation in any government of "National Unity" are also a reflection of its own internal difficulties. The Communists found the alliance uncomfortable. The party leadership has increasingly come under attack from its left and it has seen, after some 20 years of almost uninterrupted electoral advances, its electoral support decline in regional elections last year. Indeed, since adopting a hard line, the Communists are apparently regaining some electoral ground.

In view of the key Communist Congress at the end of last month, the party—and particularly the leadership—has been seeking to revive its image tarnished by the uncomfortable and generally distasteful alliance with the Christian Democrats.

The party's long-cherished policy of the "compromise or grand alliance" of all democratic forces, which would have eventually brought



The principal interest in Italy's forthcoming general election lies in whether it will give the Communists grounds for a direct role in government. Above are the leaders of the major parties: left, Sig. Benigno Zaccagnini of the Christian Democrats; right, Sig. Enrico Berlinguer of the Communist Party.

the Communists into government, appears to have failed so far, at least as a result of the intransigent position of the Christian Democrats.

At the same time, the Communist Party's ambiguous position towards the Soviet Union has continued to generate tensions not only between the various Italian left wing parties, but also within the party.

Furthermore, the internal organisation of the party based on the principle of "democratic centralism" has also come under criticism from the party's base, while another worrying sign has been the drop of some 20,000 to the total number of signed-up members, last year. This largely reflects a marked disaffection among students towards the Communist Party, which has at the same time seen new left-wing groupings gain support

Another significant indication of the pressures the Communist Party has been facing during the last few months is the growing difficulties of the trade union leadership to control the union rank and file and the militancy of so-called "autonomous" non-aligned union members.

In a sense, the imminent electoral confrontation has helped to re-unite the party, although the Congress has seemingly strengthened the left and left-of-centre factions of the party. In any event, it has confirmed that the broad policy in coming months will be one of opposition. That is, of course, if the long ruling party continues to oppose the direct participation of the country's second largest party in any future government.

Although the Communist Party effectively brought about the collapse of the former governing alliance by pulling out of the Parliamentary majority, the blame equally rests on the Christian Democrats. The death of Sig. Moro left a vacuum at the top of the traditionally faction-torn party, fuelling internal rivalries, personal jealousies, and ambitions.

At the same time, the apparent electoral decline of the Communists in regional polls last year added weight to the right and centre-of-right of the ruling party, which have always opposed any deal with the Communist Party.

To a large extent, these factions forced Sig. Andreotti last December to take Italy immediately into the European Monetary System, despite the

declared opposition of the Communist Party to immediate entry. In turn, this led to the deterioration of relations between the two main parties—at a time of already heavy tensions, and eventually to the final split.

Indeed, in the aftermath of the Moro tragedy, some significant changes which have been taking place inside the ruling party, have clearly increased the suspicions of the Communists. The balance between the so-called right and left wings of the party has certainly been modified. A year ago, the Christian Democrat leadership was made up of the late Sig. Aldo Moro (the party president), Sig. Benigno Zaccagnini (the secretary general), and Sig. Giovanni Galloni (deputy secretary general). They were all identified with

the broad policy of collaboration with the Communist Party. But the right-of-centre now dominates with Sig. Flaminio Piccoli and Sig. Carlo Donat Cattin as president and deputy secretary general, respectively. For his part, Sig. Donat Cattin has lately been one of the main critics of the Communists and opposed in no mean terms any agreement which would give the Communists a direct voice in Government.

In any event, in the current trend of possible Christian Democrat electoral advances at the expense of the Communists, the ruling party has no intention of making any significant concessions to the Communists.

Indeed, the ruling party—or at least certain factions within it—have been making overtures to the Socialists and to some of the other smaller parties, to seek an alternative governing alliance in view of the Communist opposition to any compromise excluding them from Government.

In this respect, the Socialists, Italy's third largest party, holds the crucial balance between the two main parties. However, in recent months, the strategy of the Socialists has been somewhat ambiguous. On the one hand, they have rejected any return to the old centre-left formula with the Christian Democrats. On the other, they appear reluctant (despite their public declarations) to advance concretely the concept of an alternative left governing alliance with the Communists.

The party, after its disastrous performance in the June, 1976, general election, has been attempting to revive its image and recover the electoral ground lost. Over the last 12 months, while criticising on the surface at least the ruling party, it has sought to erode votes from the Communists by questioning the larger party's philosophies and attacking the concepts of Marxism and Leninism.

However, it has proved a dangerous strategy. It now risks to backfire on the Socialists, who have preferred to go to the polls after the European elections in June. These are generally expected to enhance the party's position in view of the encouraging prospects of the socialist parties as a whole in the European polls.

The main error of the Socialists was perhaps to underestimate the Communists, who clearly were not going to sit back and see their electoral position progressively eroded by both the Christian Democrats, through the old alliance, and the Socialists by their persistent attacks against Communist ideologies and philosophies.

Against this background of political strife, Italy has irreversibly moved towards a general election.

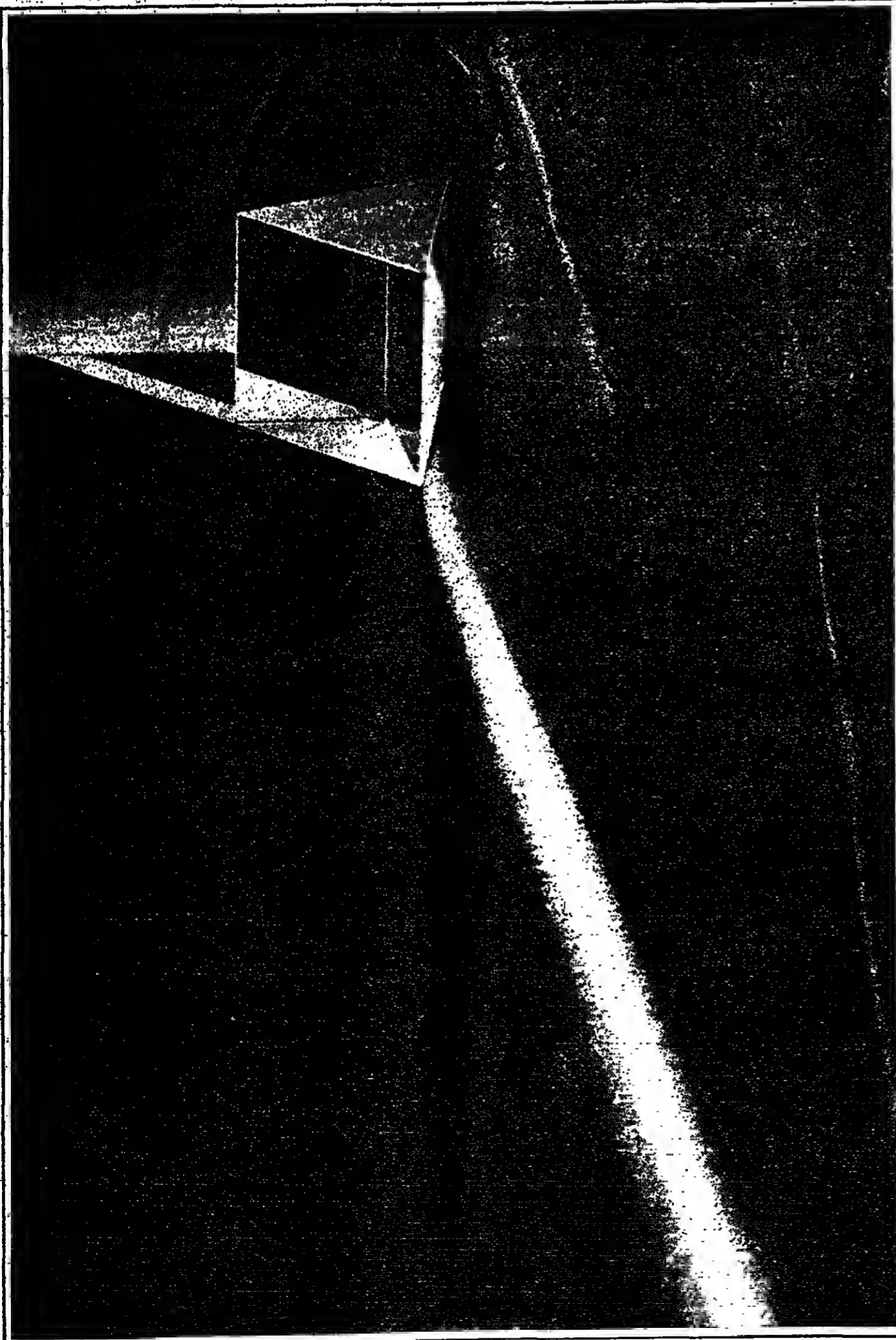
The question, of course, is what happens next? Given some gains by some parties and losses by others, the fundamental picture and balance of forces, however, are unlikely to change dramatically.

The options, at this stage at least, appear broadly to be two. After the electoral confrontation, an agreement could eventually be reached between Communists and Christian Democrats, which would inevitably enhance the Communist Party's presence in government. Sig. Enrico Berlinguer, the Communist Secretary General, hinted at this in his lengthy opening address at his party's recent Congress by reiterating his commitment to a policy of full co-operation between Communists, Socialists and Christian Democrats.

Sig. Giulio Andreotti, the Christian Democrat Leader, also indicated that without the co-operation of the Communists, whatever the election result, it was difficult to give the country a stable government.

The alternative would be an alliance, modelled on the old centre-left formula, which would see the Communists in opposition and a coalition of Christian Democrats, Socialists and some of the country's other smaller parties. At this stage, it is difficult to see how the cards will fall and which of the two main parties will be the first to ease its present intransigent stand. In any case, the situation will only become clearer after elections.

Paul Betts



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ITALY IV

Banking

A new-found confidence

NOTHING PERHAPS illustrates more graphically the attractiveness of Italy as a banking centre than the number of foreign banks queuing up to establish representative offices and branches in the country. In many ways it has all the necessary prerequisites. Italians are by nature keen savers, and the lack of a worthwhile stock market and outlets for risk capital, and the difficulty of exporting capital, mean that they have little choice but to put their money in bank accounts.

The so-called "Italian risk" — that shorthand phrase for the threat of a political/economic breakdown — now looks more remote than for a long time. Italy is repaying and rescheduling official foreign debt in considerable quantities, and the outstanding foreign debt of the central bank dropped last year from \$5.5bn to \$1.5bn. In the opposite direction, commercial banks, taking advantage of the new world confidence in Italy, stepped up their external indebtedness to \$5.5bn at the end of 1978 from under \$500m two years previously.

The political crisis notwithstanding, State corporations are once more tapping the Euro-markets, while the balance of payments registered a record surplus of L6,900bn (\$8bn) last year. This sound external position seems to have survived at least the first stages of the fairly vigorous economic recovery Italy is currently experiencing, and the accompanying pick-up in loan demand.

Knocking

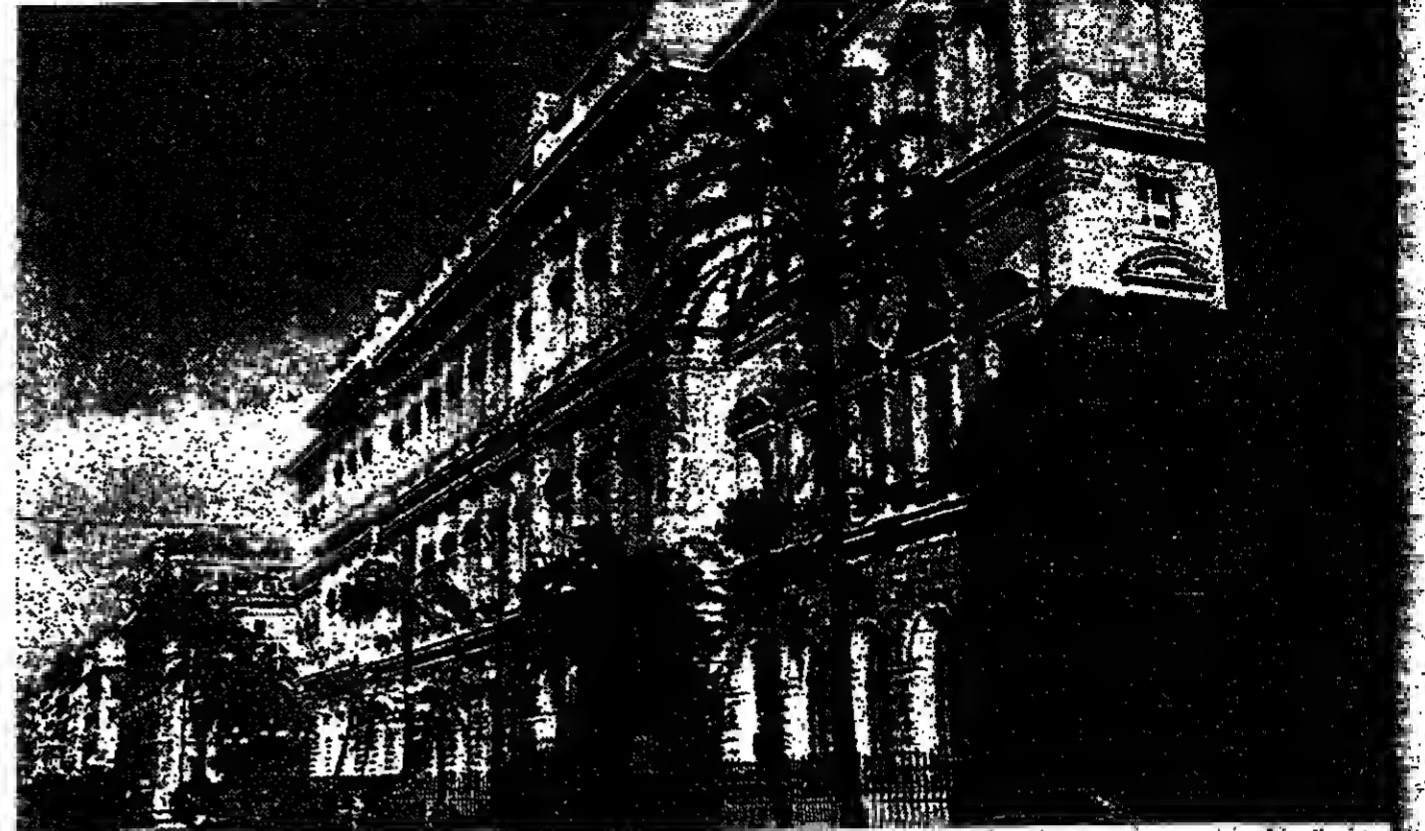
It is not surprising, therefore, that the foreign banks are knocking at the door. In February Barclays reopened a branch in Rome after an absence of 28 years, proclaiming its intention of competing for business from the major publicly owned corporations. Not least of its advantages is access to con-

siderable euromarket finance, often at rates rather cheaper than on the Italian domestic capital market.

The arrival of four foreign banks in Milan in 1978 pushed the total to 18, with a further six reported in February to have made similar applications. Italy has been dubbed a "banking Eldorado," not without reason. Unlike the Italian banks, mainly State-controlled and hemmed in by a variety of restrictions and obligations, the newcomers can concentrate on the "wholesale" end of the banking business, by largely ignoring "retail" activities like personal accounts, they can keep down costs by streamlining staff needs. Not surprisingly, local banks, unused to such competition, are showing signs of concern, for all the natural protestations of the foreigners that they will abide by the rules of the game. Not all Italian institutions have reacted with the vigour of Turin's Istituto Bancario San Paolo, which has carried the battle into enemy territory by opening a branch in Frankfurt in West Germany.

A large part of the uncertainty of the Italian banks stems from the ambiguity of their position. In part they are fully fledged competitors for deposits and active internationally, in part under strong pressure from the Government to play a prominent role in the rescue of certain "lame ducks," particularly in the chemical sector, which litter Italy's industrial landscape.

"It is not for the banks," Dr. Paolo Baffi, governor of the central bank, has declared, "to solve industrial problems any more than it is for the Bank of Italy to carry out industrial policy." Credito Italiano, one of the "Big Three" banks directly controlled by Istituto per la Ricostruzione Industriale (IRI), the State holding company, appealed in similar terms in its 1978 annual report: "Banking has always meant



The Bank of Italy office in Rome.

one thing — granting credit to creditworthy companies."

It is thus easy to understand why there has been such difficulty in putting together a banking consortium for the Sir chemical group, one of the worst-hit enterprises, with estimated debts of L3,000bn, and the enduring, if less dramatic, problems of the Liquechimid group.

Difficulties

If there is a measure of rough justice in the idea of banking consortia, given that continuing high interest rates have contributed to the acute financial difficulties of some groups, the banks are entitled to ask why they should entangle themselves still further — with risky consequences — in ventures which are patently unviable. Their doubts are all the more understandable in that by law they are barred (with the exception of a few specialised medium-term credit bodies like the State-controlled Mediocredito and Imi) from the sort of investment or merchant banking functions of their counterparts in France or West Germany.

The banking system is also profoundly influenced by the chaotic structure of State spending in Italy. The insatiable and inflationary borrowing appetite of the Government (its deficit this year, for all attempts to reduce it, will remain around L35,000bn) has meant that high interest rates are a permanent fixture in Italy.

As in Britain, small viable companies are often exposed to the risk of being "squeezed out" of the capital market, and constantly hampered by the high cost of credit. It should be stated, though, that recently the liquidity of the banking system has meant that the short-term interbank money rate has dropped to around 11 per cent, well below the national prime rate of 15 per cent for top-class borrowers. High interest rates of course more than three times the then

do no harm to bank profits. The biggest of them remain one of the few components of the public sector to be in the black, with an estimated 1,300 credit and savings institutions of all kinds, possessing some 18,000 branches scattered over the country. Italy is often said to be overbanked. Bank employees have an average annual salary the equivalent of \$18,000, around double comparable earnings in industry. And as anyone who has witnessed the small army of clerks involved in even the simplest of operations like cashing a cheque can confirm, overstaffing is endemic.

The first of the 1978 crop of results fully bears out the bumper conditions enjoyed by the banks last year. Banco di Roma, for example, which has had its troubles in the past, reported a 30 per cent rise in deposits and a 60 per cent jump in net profit to L10,950. Credito Italiano, another of the "Big Three," announced last month a similar leap to L14bn from L8.4bn in 1977, although its total deposits climbed by a more modest 10 per cent.

For the moment the position of the commercial banks as collectors of savings looks unassailable. The lira is comparatively strong, and tight regulations and some malodorous banking scandals in Switzerland have helped staunch the traditional flow of bank money across Italy's northern border. The stock exchange, despite a useful recovery since the start of 1979, meanwhile remains utterly marginal.

Countless plans have been drawn up for its overhaul, including one by the Communists. But the Milan Bourse is still a paradise for insider trading and a jungle for the outsider. It is estimated that only 20 per cent of share transactions are channelled through it, so unrealistically low have prices fallen after years of atrophy. The deal by which Fiat sold 9.8 per cent of its equity to Libya valued the company's shares at L6,000 apiece. High interest rates of course more than three times the then

Milan Bourse price.

Only 162 companies are quoted (just one of them foreign), even though brokers claim a further 1,000 might be were conditions more appealing. Matters are made worse by the very high yield offered by Government bonds, which share yields can hardly hope to match. The result is that Wall Street trades in a day and a half what Milan manages in a year.

A case to illustrate the basic difficulty is the manoeuvring now under way to reorganise the empire of Sig. Carlo Pesenti, the Bergamo-based financier whose holdings include some of the biggest private banks in the country. Shares in Italcementi, his master company, have gone up

and down like a yo-yo amid the most exotic speculation. They confirmed, never denied, his exact intentions. Sig. Pesenti was, however, responsible for one of the biggest developments in the Italian banking world in the past 12 months — the sale of Credito Commerciale, which he owned, to Monte dei Paschi di Siena, the State-controlled bank. This expansion of the public sector was opposed by Communists and Socialists on the Left, but eagerly backed by the Christian Democrats, who held a majority of the bank's board. Such was the political oddities of Italian banking life.

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# Paying for neglect

LAST YEAR, after two years of slump, Italy's agricultural output showed a slight upturn in absolute terms. Yet it continued to fall, as it has for years, with respect to the production in the rest of the Common Market.

At the end of the second world war, Italy was a net exporter of food. Today it is a net importer, and its deficit is increasing — 6,000bn in 1978, 9,000bn more than in 1977.

This is partly the result of developments common to recently industrialised countries. According to the Ministry of Agriculture, Italy's population has increased by 20 per cent in the past 30 years and its consumption of food by 40 per cent. Before the war the great mass of Italians ate little or no meat, now it forms a standard part of the diet. Not surprisingly, the greatest single agricultural import is meat. But food exports have not risen sufficiently to counteract this and in the confines of the EEC farm produce has a limited outlet. Today the country that used to be called the "Garden of Europe" has a food deficit second only to its oil deficit.

Food subsidies from the Community tend to benefit the high-efficiency farmers of Northern Italy rather than the peasant agriculture of much of Italy. Italy, despite its extremely large agricultural sector — 10 per cent of GNP and 15 per cent of the active population — is second only to Britain as a net contributor to the funds of the Common Agricultural Policy.

Italy, in short, has an agricultural problem despite advances in some sectors in recent years. Partly, this is a question of geography. Italy is mountainous and has very poor soil by any standards. In Northern Italy, the great plain of the River Po, covered the entire country, there would be no problem. But the peninsula is a different matter, especially the arid limestone and clay plateaus of the South. This does not explain everything — Swiss farming is profitably adapted to its geography after all — but it has increased the difficulties of launching a modern agriculture.

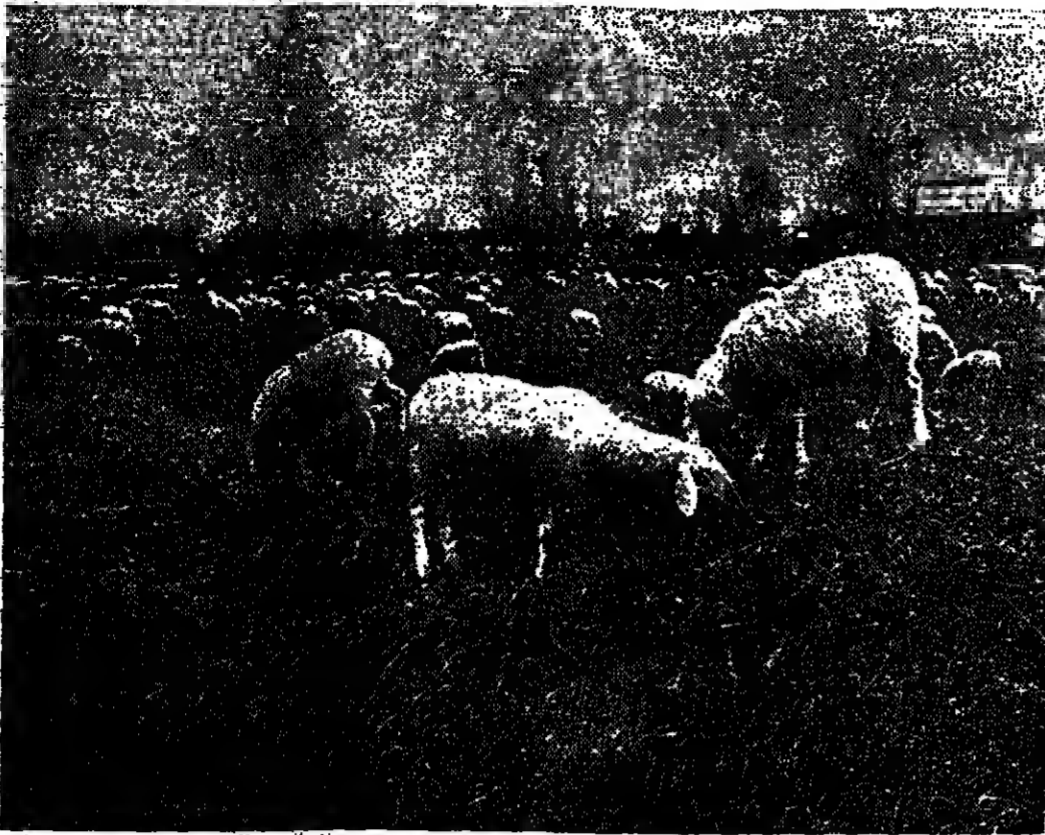
The classic problems, though, are those of planning and investment, and these also reach their extreme in the South. The Italian state has yet to confront them in an adequate manner. Until the mid-1960s, when the food deficit began to rise alarmingly, governments had emphasised industrial development at the expense of agriculture. With some exceptions, agriculture still tends to become profitable only after industry overcomes in (for example, to transport agricultural products), and few of the profits are recycled into the agricultural sector itself.

Italy's agrarian landscape is justly famous: the mixture of treecrops (such as olives and fruit), vine and wheat, and cereals (as in Tuscany and North and Central Italy) or the more differentiated fields of corn and vineyards, intermingled with pastures (in the Apennines). For the needs of modern Italy, however, they are too inefficient, and all too often, particularly in the south, they represent generations of rural misery.

But to change them requires planning, an enormous amount of determination and sizeable investment. Peasants have been traditionally reluctant to uproot their lifestyle in favour of an uncertain future that they are told about by experts, and the problem of attitudes is another that the Italians have to confront.

In the north-east, the rich region of the Veneto, agriculture has always been relatively sophisticated, and recent entrepreneurship has kept it up to the standards of the most profitable parts of Europe. In Tuscany, during the last decade the old landscape has begun to be destroyed in favour of single-culture cash-cropping, particularly of vines and fruit. Here cultivators are beginning to make use of the potential of 20th century agricultural techniques.

In the South though, in Calabria or Molise, a peasant may buy a low-cost new tractor and plough up his land, but he rarely exploits the full potential



A sheep farm in the province of Pavia in Northern Italy.

of technology; he often has no access to it, and on his own cannot afford it.

Traditions of agrarian solidarity in central and northern Italy have given rise to peasant co-operatives which can afford investment in new methods. Furthermore, in the traditionally left-wing regions of Emilia-Romagna, Tuscany and Umbria communal and provincial governments have been prepared to make substantial contributions to agrarian improvement, and the new regional governments do the same.

In the South this rarely occurs; Sardinia, for instance, has billions of unspent lire. Much of the South has always been a zone of independent distrustful peasants, unwilling to co-operate with each other, preferring to rely on patronage from above; the land reform of the early 1950s tended to strengthen this attitude. If in Romagna a co-operative will buy a large efficient tractor, in Molise each farmer will have his own small tractor, too small to plough uphill (and ploughing downhill only contributes to erosion).

A national fund to help the South, the Cassa per il Mezzogiorno, has existed for decades, but it has not seen its role as promoting the details of small-scale agrarian improvement. The Cassa has constructed roads, prestigious factories

## Unspent

where the State export credit insurance agency SACE has an exposure of around L1,200bn. But while there has been concern about the future of some Italian contracts in Iran, trade officials express confidence that major projects like a port and steel-works at Bandar Abbas in southern Iran involving Italian groups will go ahead.

Poland and the Soviet Union have been eager customers for Italy, and the Soviet Union recently put forward a request for new trade credits to supplement substantial existing facilities which have already been fully utilised. Concern over the high overall foreign debt of East European countries, estimated at around \$50bn, may tend in the future to slow down the growth of official credits to these countries.

But Italy, like other Western industrial nations, nurses high hopes of increasing trade with China, where a number of major companies like Fiat, Mercedes-Benz and ENI are negotiating for contracts. To help their chances the Italian Government recently agreed to extend to China a \$1bn trade credit, details of which are on the point of being finalised.

An upturn in the domestic economy and higher oil prices are likely to cut into the trade balance this year, but the overall trade outlook remains positive. According to recent official forecasts, exports could grow by more than five per cent in volume this year, maintaining their role as a major factor in economic growth.

By a Correspondent



هكذا من العمل



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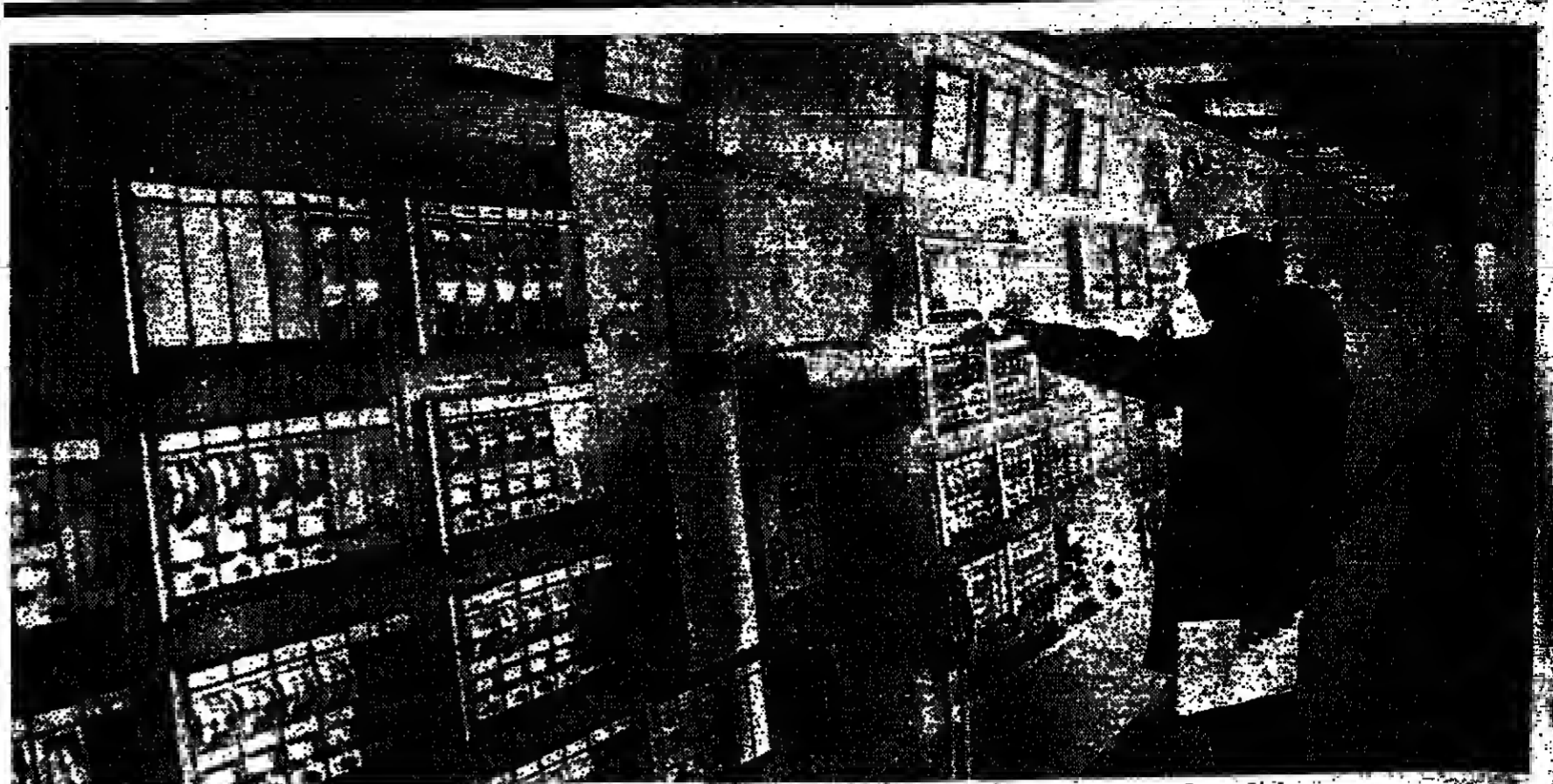
**Finanziaria Ernesto Breda** controls the firms which operate above all in the mechanical field, especially in the production of implements and means and systems of defense.

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**INSUD** a holding in which EFIM, Cassa per il Mezzogiorno and a few Credit institutes participate, carries out its activity exclusively in the Southern regions in the fields of manufacture, tourism and forestry. It also operates in association with national and foreign firms.



The control room at the ENI Po Oil Refinery at Sarnazzaro de Burgondi in Northern Italy

## The public sector

# Living down scandals

THE TWO biggest state corporations, IRI and ENI, have been given new chairmen at a time when the image of the public sector has seldom been so low. A formidable task faces Signor Pietro Sette, who moved across from ENI to head IRI after the 18-year chairmanship of Professor Giuseppe Petrilli, and his successor at ENI, Sig. Giorgio Mazzanti.

An unwelcome light on some of the state sector's lesser publicised activities is cast by the series of scandals that have been emerging after 30 years of uninterrupted Christian Democrat rule. Once the Italian state public ownership formula (which allowed managers in theory to operate as competitively as their private enterprise counterparts and which admitted private alongside public shareholdings), was held up as an enlightened method of applying modern management techniques to the achievement of government strategies. Now it is difficult to find anyone with a good word to say for it. Even Senator Cesare Merzagora, the respected expert of the Senate, who is chairman of the Assicurazioni Generali insurance group, wrote in a recent letter to a newspaper of state sector firms "manipulating black funds through continuous falsification of accounts."

Years of political mismanagement and interference have left their mark on profit and loss

accounts, often when private competitors in the same fields have remained profitable. An analysis in the Milan Corriere Della Sera estimated that the net losses in 1977 and 1978 of IRI, ENI and EFIM (a smaller conglomerate active in the aluminium, mechanical, food and tourism sectors) amounted to L.1,200bn or about \$700m. It put their indebtedness at L.25,100bn (about \$14.7bn), or over 12 per cent of gross national product. In 1978, the latest year for which statistics were available, the companies in these groups, employing over 600,000 people, recorded combined turnover of about L.26,000bn (£15.3bn).

There used to be a fourth conglomerate, EGAM, operating principally in the special steels, mining and textile machinery sectors. Its mismanagement was so blatant that the Government ordered the liquidation of its headquarters in 1977, and its loss-making subsidiaries were divided up between IRI and ENI.

Another state holding corporation, GEPI, falls into a different category. It too makes losses, but it was formed specifically to nurse ailing companies back to recovery, so even if its achievements have fallen short of expectation, the same criteria for profitability and efficiency do not apply.

The picture, however, is not uniformly negative. Under the IRI umbrella come big banks

like Banca Commerciale Italiana and Credito Italiano. Profitable, well run, and with international reputations. A third, Banco di Roma, is recovering from involvement in the heritage left by the financier Sig. Michele Sindona, who is fighting charges in the courts of both the United States and Italy.

The ENI group has managed to retain a reputation for professional competence, and some operational subsidiaries are among the top companies in the world in their sector, such as Saipem, Agip and Saipem in consultancy, plant construction and engineering for the petroleum industry. ENI, however, also has its weak points, notably its troubled chemical and textile subsidiaries, while certain transactions by a financial subsidiary have come under examination by magistrates investigating the scandal at Ralcesse of the central institute of savings banks).

The clamorous of the state sector claim that poor performance is often excused by special circumstances outside their control. A large share of IRI's losses, for example, come from steel, shipbuilding and shipping (under the Finisider, Financieri and Finmare holding groups respectively), all of them in a state of international crisis. Even so, the state can be criticised for continuing to operate passenger liner services with Finmare companies for years after other shipping lines had given them up.

Like other western groups, IRI companies face the prospect of losses in Iran, where they were engaged on large contracts, such as the Bandar Abbas steel and port complex. The nuclear engineering side has not secured expected orders because of Government failure to implement the nuclear power programme. Alitalia may be forced into the red again this year because of an unexpected outbreak of strikes. STET, which is a telecommunications and electronics group should be

one of IRI's more promising group, he fled abroad to

avoid appearing in the Lebed corruption trial, in which he received a 28 months prison sentence.

The public sector companies were the tools used by Government in its policy of industrialising the Mezzogiorno with eye-catching white elephants, the so-called cathedrals in the desert. The Government's policy of industrialising the Mezzogiorno with eye-catching white elephants, the so-called cathedrals in the desert. The Government's policy of industrialising the Mezzogiorno with eye-catching white elephants, the so-called cathedrals in the desert.

Failure

On the other hand, public sector groups have failed in their task when private sector rivals are profitable. In motor cars, Fiat's profits have been matched by a stream of losses from Alfa Romeo, hindered by its ill-managed Alfa Sud venture into the Mezzogiorno. In food and confectionery Unilad—a merger undertaken by IRI between Motta and Alemagna—has a lamentable record when compared with private concerns like Ferrero or Industrie Buitoni Perugina.

All together, the results of the public sector are a dismal testimonial to what, when it is not Government mismanagement, is at best an absence of Government strategy. Gioia Tauro is a case in point. In the early 1970s, when the expansion of the big Italsider steelworks at Taranto was still thought to leave some spare demand for steel, the government of the day decided on a fifth integrated steel complex at Gioia Tauro on the coast of Calabria. This was a rich agricultural area, far from industrial centres. For political reasons, the plant was to be located there to create employment and assuage the discontent which had erupted in the Reggio Calabria riots of 1970. In the event, the post-1973 difficulties confirmed, as many had forecast all along, that the complex had no chance of being viable, and it was first scaled down and then abandoned, although work had gone ahead on building a port.

On the level of personalities, an example of political interference was the imposition on IRI in 1968 of Six, Camillo Crociani, a one time dealer in surplus military equipment. Head first of Finmare and then of the Finmeccanica engineering

## Energy

# Vulnerable position

ITALY, AS the Iranian revolution has underlined, is one of the most vulnerable and least prepared among Western nations to face the threat of an energy crisis. Nearly 70 per cent of its energy requirements are met by oil, against 14 per cent by natural gas, 9 per cent by hydro-geothermal and nuclear sources combined, and 7 per cent by solid fuels. Nearly all the oil has to be imported, domestic production being a mere 1.5m tonnes out of a projected 1979 requirement of 103.6m tonnes. Fortunately domestic output of natural gas is substantial, bringing overall dependence on foreign hydrocarbons down to about 82 per cent. Far oil, the Middle East is the chief supplier, providing 80 per cent of imports—25 per cent alone from Saudi Arabia, whose political stability is thus of greater interest to Italy than that of Iran.

## Uncertainties

In addition to uncertainties over oil supplies and prices, the availability of electricity has for some time been arousing anxiety. Delays in the building of both nuclear and conventional power stations have raised the likelihood, unknown to most Italians, of electricity blackouts and rationing.

The Iranian cut-off came at an awkward moment. Sig. Giulio Andreotti's Government had resigned. The heads of the State Hydro-Carbons corporation ENI and of the National Electricity Board Enel had just been changed, and the new chairmen had not had time to draw up their policies for the future. The country has, admittedly, a national energy plan approved in December 1977, but it risks

being no more than a piece of wishful thinking, largely because of public opposition to the nuclear power programme.

In the circumstances, the authorities reacted quickly enough. In the Government, responsibility for energy lies with the Ministry of Energy, a post held between November and March by Sig. Romano Prodi, a 39-year-old professor from Bologna University and former graduate of the London School of Economics. Even before the Iranian events Sig. Prodi had appointed a commission of five leading public servants and academics—dubbed the Five Wise Men—to investigate the economic outlook with special reference to energy supplies. Sig. Giorgio Mazzanti, the new chairman of ENI, paid quick visits to Iraq and Iran to discuss ENI's future supplies and economic collaboration. Unlike Britain and the U.S., the Government was foresighted enough not to wince support publicly for the Shah. This, coupled with the memories left by ENI's founder, the late Enrico Mattei, of his support for the Mossadeq régime's fight with the international oil companies, enabled Italians to avoid being the object of anti-Western feeling.

On taking stock this spring, it appeared that any oil shortage would be less serious than at first feared. ENI was able to increase supplies from other countries, and the authorities hoped, by pinching and scrapping, to save up to 5 per cent on consumption as recommended by the International Energy Agency. It was impossible, however, to know what the ultimate extra cost would be of the rising petroleum

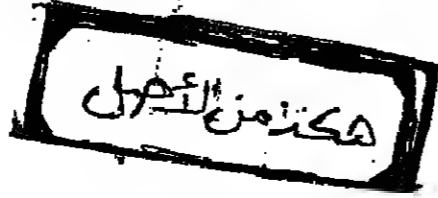
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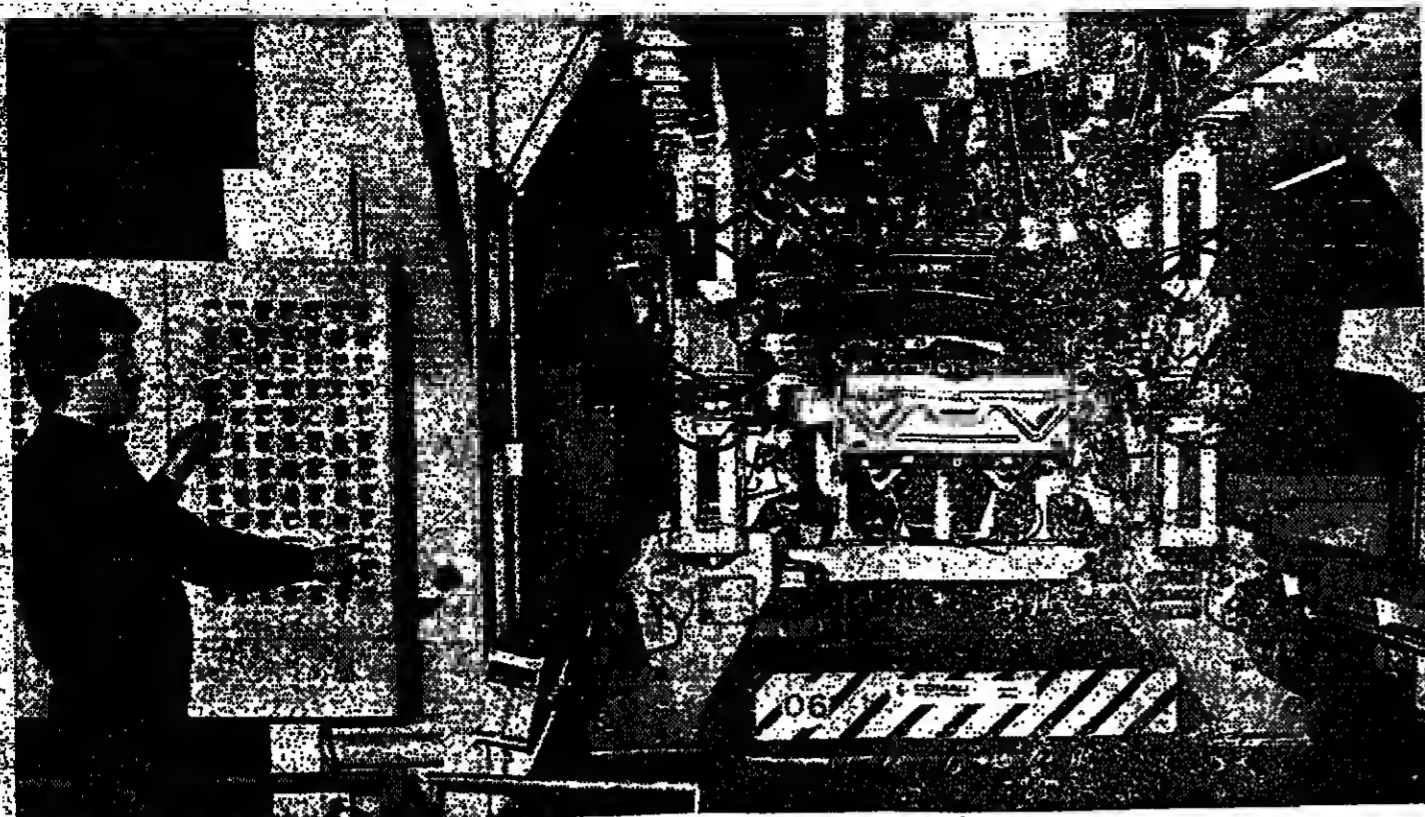
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The new Robogate automatic welding system in operation at the Fiat Rivalta works near Turin.

Industry

# Outlook improved

THE ITALIAN business climate has improved over the past 12 months but the outlook is still uncertain. An export-led recovery has dispelled much of the gloom from boardrooms and the stock exchange. A growth rate of 5 per cent is being forecast for the economy this year. But industrialists are still far from happy.

First, there is the threat of a resurgence of inflation and the risk that this will oblige the Bank of Italy to resort to stop-go policies in the absence of an effective government until elections have taken place. The central bank could be forced to put the clamps on credit through high interest rates and a credit squeeze, to protect the lira against an upsurge in consumption and inflation.

Secondly, industry is locked in important negotiations with the unions which promise to be lengthy and difficult. Against a background of high unemployment, the negotiations are made all the more complex by the fact that the union leadership is itself fighting to retain the upper hand in the face of a discontented rank and file. Not only has high unemployment led to a soul-searching reappraisal of past policies, which have hitherto placed the main emphasis on pay increases independently of their effect on the rest of the economy. The National Union Federation is also facing a growing challenge from "autonomous" groupings which make up bones about defending their members' interests heedless of the national good.

Faced with conflicting demands, the National Union leadership has had to moderate its pay claims and call instead for policies to raise employment and productive investment, particularly in southern Italy. But the number of jobs in industry has in fact tended to decline in the past few years, at a rate of around 1 per cent a year, and a further overall reduction is forecast for 1979.

The unions are pushing for cuts in working hours as one way of creating more jobs. They also want more information

about company planning and decision-taking and it is this in particular that sticks in the throats of many entrepreneurs. Employers have stated categorically that in their opinion shorter working hours would simply add to production costs without necessarily leading to higher employment. The issue of increased union interference in company affairs is particularly offensive to Italy's medium and small companies, forming the flexible backbone of the Italian economy which have traditionally enjoyed considerable freedom in the way they run their affairs. It is effectively these companies whose versatility and imagination have contributed to Italy's buoyant trade performance.

Reorganised

While high interest rates continue to weigh on industry's finances and discourage investment, a number of companies have successfully reorganised their balance sheets by switching heavy short-term debts into medium-term loans. A notable example of financial reorganisation of this sort is to be seen at Olivetti, the computer and office equipment group, under the management of its vice-chairman of a year's standing, Sig. Carlo de Benedetti.

Last year, the group carried out its first capital increase for 17 years with a rights issue of L40bn (\$47m). The issue was with such strong demand that several major shareholders were unable to take up their portion of new shares. As a result, Olivetti is now going ahead with a second, even bigger operation, to double capital to L200bn with a rights and convertible bond issue. At the same time the company has shifted most of its short-term debt on to a medium-term basis.

But another key element in Sig. de Benedetti's plans for restoring the Olivetti group to financial health has caused consternation among the unions. The group has made clear that it has around 3,500 employees more than it needs in Italy. This

is the result of the change-over from manual operations to electronic technology in its factories, which has made many workers superfluous. Understandably, the unions are loath to see jobs being lost in the present climate of economic uncertainty.

At the Fiat group, plans to spend around \$650m on productive investments in southern Italy between now and 1981 will create an estimated 5,835 new jobs. One of the main projects is a new plant at Valle di Sangro in Abruzzi to build light commercial vehicles, in which Fiat plans to link up with Peugeot of France. This plant would involve an investment of around \$250m and would employ 3,000. Even here, union reaction has been restrained. There are more than 1m unemployed in southern Italy, and the Fiat projects are just a drop in the ocean compared to what is needed.

The dull economic situation last year affected the results of the Fiat group's main sectors of activity. Only an intensive effort to introduce new products, strengthen the sales network and improve efficiency allowed Fiat to maintain overall profit at around the 1977 level. Car sales are expected to consolidate the recovery in 1979. But with a 15 per cent increase in hourly wage costs weighing on the company's 1978 balance sheet, Fiat is in no hurry to see labour costs further increased by shorter working hours.

Financial difficulties are still dogging another of Italy's biggest private industrial groups, the Montedison chemicals group. Montedison made another heavy loss in 1978, and despite a recent improvement in sales the outlook for 1979 is still far from rosy. The company has still found no solution to the problems of its synthetic fibres subsidiary Montedison Fibres. Plans for merging this company with the synthetic fibres activity of Sial Viscosa, in which Montedison has a controlling stake, have been shelved because of union opposition to the redundancies they would have entailed. Saudi

Arabian investors recently took a 10 per cent stake in Montedison, in the context of a long-awaited capital increase. But how soon they will get a return on their investment is not yet clear.

Even more serious is the situation elsewhere in the chemicals industry, at Sir and Liquichimica. Weighed down as they are by heavy debts, the future of these two groups is clouded with uncertainty. Bastogi, Italy's oldest holding company, has taken a leading role in trying to get Liquichimica's industrial activities back into operation. Bastogi hopes eventually to obtain payment of L80bn it is owed for construction by its subsidiary CTIP of a petrochemicals plant for Liquichimica in Calabria. But so far only one of Liquichimica's plants is back in operation, after a prolonged closure caused by the group's financial straits. Banks are still trying to find a solution to the problems caused by the inability of both Liquichimica and Sir to pay back their debts, and no easy solution is at hand.

As the debate over the role of banks in the salvage of crisis-stricken private industry continues, public attention has now latched on to another longstanding feature of Italian life. This is the "submerged economy" of tax-dodgers, illegal employers and undeclared workers, which has traditionally added an extra degree of flexibility to the national economy. Analysts have estimated that emergence of the submerged economy into the light of day could add appreciably to the officially calculated Gross National Product.

The phenomenon is now being studied by the National Statistics Institute and a number of private econometric institutions. Their findings may turn out to be a double-edged weapon for industry and unions. But for the state, greater transparency of the economy can only be positive. At the very least, it should help the Government increase much needed tax revenues.

By a Correspondent

# Vulnerable

CONTINUED FROM PREVIOUS PAGE

prices. Sig. Prodi's immediate estimate was that they would add L1,000bn to L1,500bn to the deficit side of the balance of payments—a sum which if the increases went no further, could be borne easily enough by the country's large foreign exchange reserves.

For natural gas the outlook is more reassuring and supplies should be available for the next 20 to 25 years at least. About half the 27.25bn cubic metres consumed in 1978 came from gas fields at home. From a first discovery in 1964 in the Po Valley, production has switched increasingly in recent years to deposits offshore, particularly in the northern Adriatic. Several new offshore fields are due to come on stream this year in the upper and central Adriatic.

Domestic production is expected to hold steady each year at around 12bn cubic metres, out of recoverable reserves currently estimated at about 200bn cubic metres. Consumption—27.2bn cubic metres last year—is projected to rise to 40bn in 1985, the difference being made up by imports from Holland, Libya, the Soviet Union and Algeria.

Last year the Eni group, which is responsible for the bulk of home and foreign supplies, imported 6.1bn cubic metres from Holland, 5.6bn from the Soviet Union and 2.5bn from Libya. All under 20 year contracts. From the two former countries the gas comes by pipeline, and from Libya in liquefied form by tanker. By 1985, imports from the Soviet Union should increase to 7bn cubic metres. But the big change in the import pattern

will be the receipt of 12bn cubic metres a year from Algeria through the world's deepest undersea methane pipeline, Transmed. A specially designed pipeline, Castoro Sei, owned by Saipem of the Eni group, will soon start laying in the Sicilian channel, where depths of 550 metres are met in the 180 kilometres between Cap Bon in Tunisia and south-west Sicily. The first gas should start to flow before the end of 1981 under a 25-year agreement lasting up to the year 2006.

In recent months interest has also quickened in the search for offshore oil, though no one believes the central Mediterranean can become another North Sea. Off south-west Sicily Agip of the ENI group is bringing the small oilfield Nilda into production. South of the island Montedison has made what looks like a commercial discovery in its Mila field off Ragusa. In the deeper water of the southern Adriatic Agip reported encouraging shows from its well Rovesti, drilled to a depth of 3,347 metres on a seabed of 955 metres. In the mid-Adriatic Elf (the French group) is reported to be sitting on reserves of over 100m tonnes at Rospo, but the oil is so dense and viscous as to present problems of recovery.

Discovery

There also appears to be promise in neighbouring countries' offshore waters to the immediate south. Agip, under contract to the Libyan National Oil Company, is reported to have discovered a field of at

least 500,000 barrels of Tripoli. If Malta succeeds in resolving its median line dispute with Libya, oil experts believe the Medina bank between the two countries is well worth exploring.

For many consumers, however, the immediate pre-occupation derives from the Government's inability to apply its programme for new electric power stations. Public attention has focused on the nuclear issue, but many conventionally fired projects are also well behind schedule.

The national energy plan foresaw eight new nuclear plants of about 1,000-MW each for the mid-eighties, in addition to the four existing plants (three by now antiquated units built in the 1960s totalling 600 MW, plus Caorso on the Po of 850 MW) and to four more of 1,000 MW each ordered in 1974. Of the latter, work has started on twin plants at Montaldo di Castro north of Rome, but strong local opposition has so far prevented construction of the other two in the Molise region of central Italy. Similarly, local feeling will probably block for some time yet the eight new projects (two in Piedmont, two in Lombardy, two in Puglia and two to be located). As Sig. Prodi commented, everyone in Rome is for nuclear energy but everyone in the provinces is against.

Enel has reacted to the crisis with a plan to convert power stations from oil to coal, which at least can be bought from politically more stable areas. Enel's annual coal imports are likely to reach 10m tonnes from

only 600,000 four years ago. Even so, the country faces the prospect of power blackouts and rationing. The new president of Enel, Sir. Francesco Corbellini, said the situation was much more serious than appeared from outside, and forecast that "the electricity energy deficit will explode in a few years, and necessitate rationing of electricity."

Much is written about alternative sources of energy, but a recent Confindustria study warns that, in the short to medium term at least, these can only make a marginal contribution to overall requirements of 1 to 3 per cent. Some geothermal energy is already produced at Larderello in Tuscany, and Agip in conjunction with Enel is engaged on a widespread exploration programme over 3,500 square km of permits. A promising area appears to lie near Puzzuoli, north-west of Naples, where geothermic fluids with a temperature of 250C are reported to have been discovered during drilling at 1,600 metres depth.

Solar energy, particularly for heating, is starting to be used under processes developed by several big groups and also by the co-operative movement. Sig. Umberto Dragone, deputy president of the Left-wing League of Co-operatives, says his movement is building 1,500 apartments with solar heating. The sun is one energy source in abundance in Italy, and a major effort will undoubtedly be made to extend its application. But too much should not be expected too soon.

John Earle

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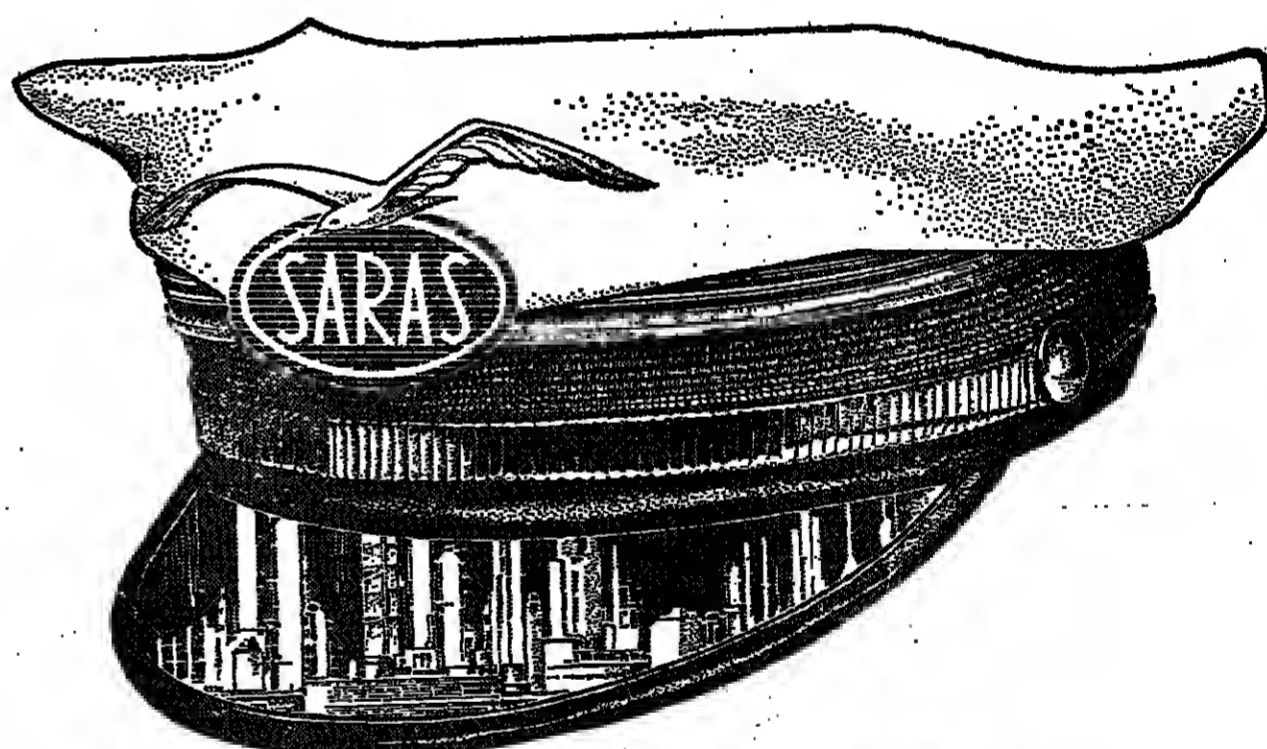
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**The Mezzogiorno**

# The problems multiply

DESPITE THREE decades of Government development projects the Mezzogiorno is still Italy's Achilles heel. The social and economic problems of this area—which is the size of Greece and with a population of 20m and more than 1m unemployed, are a crucial element in Italy's complex political chessboard. They are in the forefront of potentially disruptive labour negotiations currently involving Italy's most powerful unions in key sectors of industry. They threaten also to impede Italy's progress towards greater economic stability just when the country has accepted the challenge of a step towards European monetary union within the European Monetary System (EMS).

Wastage, corruption, inefficiency and organised crime have bedevilled past Government attempts to raise living standards in an area which is one of Europe's poorest. Despite the billions of dollars which since the war have been poured into the Mezzogiorno—defined for administrative purposes as including Sicily and Sardinia—average incomes there are still only just over 60 per cent of the national average. In Calabria, Italy's poorest region, they fall to 40 per cent of the national average. If a comparison is made with one of the richest areas of the Common Market, North Germany, the disparity is even more grievous.

Some industrial successes there have been in southern Italy, but progress continues to be slow. At Taranto, in Puglia, an ultra-modern steelworks also owned by Italsider has succeeded in building up a tissue of entrepreneurial activity around it. But the services sector provides the main growth for employment in the Mezzogiorno: In 1978 employment levels in southern Italy rose by 80,000, according to calculations by Svimez, a State agency for development of the Mezzogiorno. There were 105,000 new jobs in the services sector, offsetting the reduction of 45,000 jobs in agriculture, and only 20,000 new jobs in industry. This was a better score than in northern Italy, where total employment levels rose by only 10,000 and industrial employment actually dropped by 54,000.

In the past the area's inhabitants have sought to escape from economic depression by emigrating to Northern Europe and America, and to the factories of Turin and Milan in Italy's industrial north. But the slow-down in other industrial economies has reversed this trend and in recent years the number of emigrants returning home has actually exceeded the number of Italians leaving to seek their fortune abroad.

Meanwhile the Mezzogiorno's centuries-old isolation has been broken down by construction of modern highways, airports, telecommunications and infrastructure. But the industrial revolution which the planners hoped would follow has yet to take place. The Mezzogiorno still lives on subsidies from the State and the Common Market and on the money sent home by the millions of emigrants.

Mezzogiorno, for the purposes of State subsidies, begins to report satisfaction with the way their operations have developed. But they are privileged in being among the best served in southern Italy from the fact of being close to the metropolises. A general disinclination to invest, which has hit southern Italy despite all official efforts to the contrary, was cited by no less a person than the West German Chancellor Helmut Schmidt, in a recent interview with the Milan newspaper Corriere della Sera.

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(in billion of lire)	1977	1978	%
Total deposits	3.253	4.150	+ 28%
Capital and reserves	161	205	+ 27%
Total assets	6.156	7.390	+ 20%

**Plight**

A few names have become emblematic of the plight of the Mezzogiorno. At Gioia Tauro, an impoverished town in southern Calabria, fertile olive and citrus groves were laid waste in order to build a giant steel plant which was to have given jobs to 7,500. Eight years after the Government made its original promise for the project, all that is to be seen on the site is a gigantic hole in the ground where a port was to be built. Work is going on in a desultory fashion, but the steel market crisis makes it unlikely that the steel plant will ever be built, at least in its original form.

Alfasud, the ultra-modern car plant built by the State-owned Alfa Romeo group at Poggioreale in Naples, is one of the industrial initiatives that have not off the ground. But since the plant opened in 1972 it has run up losses of around \$700m. With over 15,000 employees coming from a wide catchment area in which there are few other industrial job opportunities, it would be unthinkable for the Government to allow the loss-making plant to close. But high absenteeism and labour unrest in an area where industrial employment has existed for too short a time for such a plant to be able to function smoothly, and the despair of management and impose a big question-mark over the plant's future.

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In the nearby Naples, whose biggest social and political problems another State-owned group, Italsider, operates an obsolete steel-works which is losing over \$100m a year. The plant, sited on the shore of what was once one of Naples' most charming seaside bays, employs 7,800 and the company has drawn up a \$670m plan for its modernisation. But local planning policies and the slow availability of funds have delayed its implementation.

Naples, which with the surrounding region of Campania has an estimated 350,000 unemployed, has become a focal point for sometimes violent demonstrations by the unemployed, organised into vociferous pressure groups. Tension in Naples was heightened this winter when bronchial ailments which might elsewhere have passed unnoticed caused the death of scores of infants in the city's damp and unhygienic slums.

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ITALY IX

هكذا من التحويل

The islands

Misguided policy

NEAR THE petrochemical complex of Porto Torres, on the north-western tip of the island of Sardinia, there is a large and striking mural with an inscription in local dialect saying: 'Years of autonomy, years of poverty, years of lies.' It reflects the mood of the island, which like Sardinia is constitutionally part of Italy but is also strongly separatist in sentiment and above all a sense of desperation over what has perhaps been the most deeply felt historical accident to befall the two islands.

The two islands enjoy a considerable degree of local autonomy but they are also perhaps poorer than any other Italian region, although they account for as much as 12 per cent of the total Italian population. During the last three decades, considerable and often well-meaning efforts have been made to develop the islands, tackle their dire social problems, their archaic structure and the continuing blight of bandits and kidnapping in Sardinia and of the Mafia in Sicily (where it has effectively built up a presence in practically every aspect of the island's economic life).

The historical accident, of course, has been the broad policy of successive Italian governments to base the economic and social development of the islands essentially on heavy industry. Through a combination of generous subsidies and considerable political duress, these governments pursued the country's major state, semi-state and private enterprises—especially the main chemical groups like Montedison, Anic, SIR-Rumianca and Liquichimica—to invest heavily in capital-intensive projects in two small economies which were effectively seeking labour-intensive projects to absorb unemployment levels well above the national average.

In the period 1968-74, the Government planning board approved investment in the chemical sector for the depressed south of the country, including Sicily and Sardinia, for a value of nearly 14,500bn and for the creation of some 33,000 jobs. Although in terms of capital the employment

figure is low, the authorities hoped the chemical industry, which together with steel and telecommunications were chosen to lead the country's industrial transformation, would generate directly and indirectly a considerable number of other jobs. But the wide network of satellite industries which was to grow around the large chemical and steel complexes never developed on the scale the authorities hoped. Instead, emigration from the islands has continued, mainly towards the industrial north of the country, causing growing social difficulties in major cities such as Milan and Turin.

As the recession followed the energy crisis and the so-called 'economic miracle' of the 1960s, so the northern industrial cities and their industries could no longer absorb the continuing inflow of people from the south and the islands. The social strain that has been generated, according to many Italian judicial experts, is one of the main reasons for the growing crime rate, now closely connected with political violence, that has particularly afflicted northern cities during the last few years.

The failure so far of the industrial development of the islands is in part the result of the policies of the regional authorities. Infra structure remains underdeveloped and this has acted as an obstacle to the development of smaller industries, while it has also increased the effective costs of setting up larger projects. Large groups have had to provide most of their essential ancillary services and infrastructure. At the same time, most of the islands' industrial development has been imported, even in the case of the tertiary sector, such as the Aga Khan's tourist complex in the Costa Smeralda in Sardinia.

The current acute problems of the chemical industry, the fruit of a number of factors including the energy crisis, over ambitious and largely uncoordinated investment programmes, and fierce in-fighting between rival companies and political factions, now threaten to have serious repercussions, especially on employment. The

problem is particularly pronounced in Sardinia because of the heavy investment on the island of one of the more troubled groups, Societa Italiana Resine (SIR), now on the verge of collapse.

At the same time, the consequences of disorganised development policies are now beginning to bite. These policies led in some instances to duplicated investment with no overall economic benefit. At Ottana, in Central Sardinia, for example, both SIR and a joint venture by two other major chemical conglomerates, Montedison and Anic, set up similar synthetic fibres plants, representing investment of more than 1,300bn each in an area lacking proper infrastructure, but earmarked for industrialisation by the political authorities of the time, apparently to eliminate the region's high rate of banditry.

Another joint venture between Anic and British Petroleum never got off the ground, although a plant was constructed for the production of bioproteins for animal feed. The reason, in this case, was the continuing delay of the Italian health authorities in granting the necessary approval for bioproteins production.

Sicily too has suffered from the chemical crisis. On the eastern part of the island is one of the main oil refineries and petrochemical concentrations in Western Europe. The plant at Augusta, completed in the early 1970s to produce up to 40 per cent of world demand for normal paraffin, has been inactive for more than a year because of the financial difficulties of its parent company, Lignagas. Another joint venture between Montedison and ICI in Sicily for the construction of an aniline plant has also been scrapped.

Over the last year there have been attempts to set up salvage operations for the troubled chemical groups to safeguard, among other things, existing employment in the South and in the islands. These ventures involve the creation of banking consortia of credit institutes exposed in a troubled company to take control of the group and launch a five-year recovery plan.

The banks would agree a

moratorium on all outstanding debts, pay off immediate creditors and guarantee the industrial activities of troubled companies, while also reorganising their structure and investment programme. However, in the case of SIR, this would probably entail the shelving of some 11,000bn of investment already started in Sardinia.

But so far disagreements between banks and various economic and political factions have blocked the setting up of these rescue consortia. Also legislation that would entitle the industry minister to appoint a commissioner to take control of a troubled group in the event that no other salvage plan is proposed has also caused controversy. And despite the emphasis now being placed on the recovery of the South as a priority of Government economic policy, there have been only tentative signs of a solution to the country's chemicals crisis.

Against this background, Italian economic planners and the trades unions are promoting the development of tourism and agriculture in the islands together with light manufacturing industry. There is an urgent need to develop the agricultural base, principally through the wider development of co-operative farms in view of the existing fragmentation of land holdings. Some progress is being made, for example in the important Sicilian wine sector, but generally the problem is exacerbated by lack of funds and by the archaic structure of agriculture in the islands.

Besides agriculture, another potential source of income and jobs for Sicily and Sardinia is the development of tourism. The islands offer considerable natural and cultural attractions. Here, again, however, the problem lies with the development of adequate transport and other services. In the past, major developments in tourism and other economic sectors, have been imported from the mainland. The challenge now is how far Sicily and Sardinia can develop their own resources and how far they will be allowed to do so by the mainland.

P.B.

The regions

Slow road to autonomy

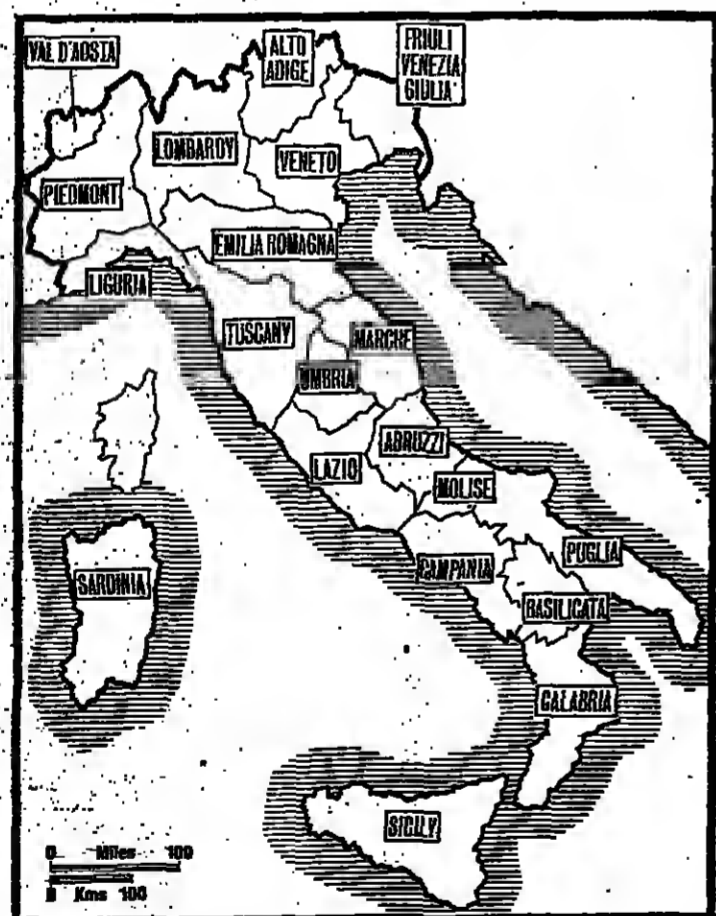
LESS THAN two years ago, the Italian regions were granted by law a measure of autonomy that had rightfully been theirs in theory for years. By now, though, local humorists are comparing the stubborn optimism of one his doomed last stand against the Indians: 'He's the only one who hasn't given up all hope.'

The transfer of powers to the regional administrations, elected for the first time in 1970, is by now under way despite numerous halts and starts. The process has been slower than originally foreseen, and uneven: some functions have been turned over with relative ease, while others—notably the state employment office, long a strong secular area of political patronage—continue to be the basis of a bitter tug-of-war between regional bodies and national political interests. Yet on the whole, the process of devolution is moving slowly along.

But the devolution itself has given rise to a whole new group of problems on the administrative, financial and legislative levels. Some have simply accompanied the transfer: some have actually been created by it. One administrative problem is simply numbers. Despite the fear of sceptics that the regional administrations would end-up being yet another ponderous bureaucratic machine to add to Italy's already bloated civil service, the actual number of persons employed by the regions is only 60,000, a fraction of the 2m employed by the state or of the 400,000 working for Italy's 8,000 cities and towns. (By contrast, West Germany's Lander, or semi-autonomous states, employ together roughly the same number of people as the Federal Government.)

Structural problems of administration are aggravated by political ones. 'The regions have not yet been regionalised enough,' said Professor Sabino-Cascese of the School of Public Administration recently. Members of the regional governments are not elected directly but within each province, and the system produces some of the political distortions typical of an electoral college system. Tensions are also frequent among regional employees, many of whom have been inherited from defunct state or local bodies and feel little sense of identification with the new structure.

Legislation affecting regional devolution is also not free from anomalies. Professor Franco Bassanini, a socialist member of parliament who has been deeply involved in regional



decentralisation, calls the national laws on regions "schizophrenic." According to Professor Bassanini, the state tends to unload on to the regional administrations the major problems, such as drug abuse, that state bodies have trouble dealing with effectively on their own. In other cases, the state ignores the existence of the regional governments when it means a loss of prerogatives. In a recent case of this sort, some 33bn were assigned to the national road authority even though most roads are now under the jurisdiction of regional or municipal authorities.

Some of the legislative problems are closely linked to financial ones. A complicated series of laws intended to provide a system of checks and balances has given the regions a broad range of powers to plan but has left control of the purse strings in the hands of the central Government. Regions now have almost no independent source of financing. 'On one hand, in the interests of democracy, we have decentralised; on the other hand, for economic and treasury reasons, we have further centralised,' writes Professor Cascese in an introduction to the "Guide to Local Autonomy 1979," which describes sector by

does so in a way that assures the minimum of autonomy to the local bodies. A common method is tying the funds to particular purposes, which effectively limits the use the regions can make of them. The fact that Italy is one of the few countries in the world in which laws can be passed in parliamentary committee means that such legislation is further susceptible to political pressures and the lobbying of private interest groups.

Yet the blame clearly cannot all be placed on the central administration. The regions themselves have been slow to spend the funds appropriated to them—for lack of concrete programmes or because of simple bureaucratic inefficiency—and only recent reached an annual spending capacity of 40 per cent. The region of Campania, of which Naples is the capital, currently has 1,500bn of unspent resources; the semi-autonomous region of Sardinia has 900bn. Under such circumstances, the state, with some justification, has tended to hold back on further appropriations.

Delays

Many solutions have been advanced to the problem of delays in regional finances. One idea is to award projects to a general contractor who would take over the project from start to finish, including subcontracting. This would greatly simplify the current bureaucratic knots faced by regional administrations who now have to deal separately with each small company that is awarded part of a contract. The average time now needed to bring a project from the drawing board to completion is four years.

Less probable is a measure by which the parliamentary committees would lose any of their enormous powers to pass legislation without a parliamentary vote, since such powers are provided for in the Italian constitution.

Most important may be the simple factor of time. It is only nine years since Italy's regional governments were elected for the first time, and only two years since their powers have really become operative. The second round of regional elections, scheduled for next year, may produce a difference. With the worst of the growing pains now past, there is some hope that a more experienced set of regional administrators can begin to put into operation a devolution that was written into the Italian constitution more than 30 years ago.

Christine Lord

MEZZOGIORNO

Area: more than 130,000 sq. km. Population: about 20 million with a per capita income in 1977 of 2,500 dollars. Private consumption in the same year: 36 billion dollars. These are the vital statistics of the Mezzogiorno, as Southern Italy is called. The region is an economic and productive reality that no business interested in locating in Europe can afford to overlook. In fact, as an evidence of the interest shown by the international business community, the Mezzogiorno counts 277 manufacturing plants set up with the participation of foreign investors. Expanding markets, availability and trainability of labour, incentives, infrastructures; these are the main inducements to choosing the Mezzogiorno, as well, of course, as its ideal geographical position between the Mediterranean and the European countries.

The Mezzogiorno offers prospective investors cash grants up to 40% of fixed investment, soft loans, corporate tax waivers and a reduction in the cost of labour.

Further information is available on request from IASM, Institute for the Assistance in the Development of Southern Italy, a non-profit organization set up to promote industry and tourism in the Mezzogiorno and to provide consulting aid to companies already operating there or planning to do so.



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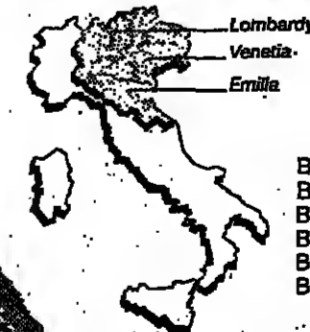
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# ITALY X

## The environment

# A bitter legacy

RELATEDLY, BUT unmistakably, Italy has begun to get down to the problems of protecting its environment, both man-made and natural. The campaign is in many forms and discernible in many ways. As is the wont of the country, it is taking place often without any official coordination.

It is understandable that the new consciousness that action is necessary has occurred later than in other western European countries. For the two post-war decades industrialisation was the main priority in Italy, and it was inevitable that in the process distortions should be created. In social terms, the country is now reaping the bitter legacy caused by an absence of centralised welfare planning. Similarly, the environment was neglected.

Economic progress was set above all else, and at the same time it was assumed that Italy's enormous artistic and cultural wealth would somehow just look after itself. That state of affairs is now changing.

On the industrial front, the turning point was unquestionably the Seveso disaster of the summer of 1976. The explosion at the Innesa plant near a subsidiary of the Swiss company Givaudan, itself a member of the Giant Hoffmann-La Roche pharmaceutical group, fatally polluted a wide area with dioxin, a byproduct of the trichlorophenol manufactured for Givaudan, and one of the deadliest poisons in existence. It was the most harrowing and most serious industrial accident in Europe in recent years, and even though the company con-

cerned was not Italian, Seveso became a symbol of much that was wrong with industrial development in Italy. In the afflicted zone, the consequences are still tragically evident, while the shock it produced lies behind the vigorous campaign against the building of any further nuclear power stations in Italy, whatever the logical and pressing need for them in terms of estimated future energy requirements.

**Protest**

The protest movement has been led by the tiny Radical Party, with barely 1 per cent of the votes and just four parliamentary seats. But the warning signs that these feelings were taking broad popular root was plain from the regional election results last November from Trentino-Alto Adige in the extreme north east of the country, where the grouping of fringe Left parties strongly emphasising environmentalist concerns, made inroads into the vote of all the major parties.

Heartened by the outcome, Sig. Marco Pannella, the quixotic radical leader is seeking to secure the 500,000 signatures necessary to force a referendum on Italy's already truncated nuclear programme. This foresees the construction of just eight new stations by the mid-1980s. The Socialist Party (PSI), most directly threatened in electoral terms by the radical Left, has also shifted its stance towards more open hostility to the country "going nuclear."

At a more everyday level, the pent-up demand for more adequate safety at work hit the headlines only last month after an explosion at a Montedison chemical plant at Mestre, the mainland offshore of Venice. More than 30,000 people attended the funeral of the three workers killed in the disaster.

The trouble is also that the very structure of Italian industry makes it difficult to impose controls that work. The companies point to the very high level of social security payments they are already obliged to make for their staff, and will not easily be coerced into spending more. Meanwhile the existence of a large underground economy operating largely outside the system makes it even



The preservation of Venice—suspended between land and water—presents a unique problem to the Italian authorities.

those that dog Italy, of chronic debt and bloated bureaucracy, and which have prevented adequate money being spent on maintaining the city, its public services and its treasures and monuments. In the past few years the decline has become increasingly rapid and increasingly plain to the visitor. So much so that in 1978 Rome suffered a £50bn (£30bn) decline in tourist revenues, undoubtedly in part as a result of the mounting inconvenience and the general squalor of many of its quarters.

**Pollution**

At an everyday level, traffic pollution is quite literally eating into the monuments themselves. The three main triumphal arches of the Caesars and the two exquisitely carved marble columns erected in the second century AD to commemorate victories of the emperors Trajan and Antoninus are being steadily and irreversibly corroded. Unless action is taken at once it is beyond all doubt, according to Professor Adriano La Regina, superintendent of the city's ancient monuments, "that within a few decades all documentation of the city's past history and art will be lost." His suggestions are drastic: the closure of all the main monuments in the centre of Rome, electrification of public transport and a complete ban on private cars from the centre. In Rome conservation needs

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Correspondents throughout the world

## Terrorism

# An everyday story

MARCH 21 last can be counted a fairly typical day. To judge from the headlines the following morning in La Stampa, a newspaper not usually given to excess of sensationalism, there were that day a fatal bomb attack on an industrialist in the Piedmont town of Cuneo, an armed assault on a university professor at Padua, near Venice, while two armed bandits, claiming to be from a group called "Proletarian Battle Patrol" held up a drug dispensary on the outskirts of Turin.

In Italy's largest northern city, Milan, a gang purporting to represent the "Armed Organisation of the Proletariat" for the second time in eight days carried out a bomb attack on a State housing centre. Meanwhile, La Stampa reported, no further clues had come the way of the police investigating the mysterious assassination in Rome just 24 hours earlier of Sig. Mino Pecorelli, editor of a scandalous newsletter.

Law and order, and terrorism, remain, along with the economy, the biggest headache facing any Italian Government. It is true that political violence of all hues has followed its usual trend of increasing when a Government crisis deepens, and that (so far at any rate) terrorism has not scaled the peak of last spring, when the Red Brigades kidnaped and 35 days later murdered the former Prime Minister Sig. Aldo Moro. It is also true that the authorities, statistically at least, are having greater success. Since last summer, when General Carlo Alberto Dalla Chiesa was placed in overall charge of anti-terrorist operations, the police have rounded up scores of wanted extremists, and uncovered hide-outs in Milan, Turin, Pisa, Rome and other cities.

But every apparent step forward seems swiftly cancelled out. At the end of January, for example, police in Milan captured six of the gang suspected of involvement in the Moro affair, and discovered further evidence of close links with the German Red Army faction group. The next day, though, Prima Linea, an organisation linked to the Red Brigades, shot dead Sig. Emilin Alessandrini, deputy Public Prosecutor of Milan, the eighth magistrate in die at terrorist hands in Italy since 1971.

If inevitably terrorism makes the main headlines, every day sees a host of smaller crimes, meticulously reported in the home news pages of the papers, often complete with gruesome photos of a bullet-riddled corpse. Some are spectacular, some horrifying, some bizarre and others callous. Some are just plain incredible. But one disturbing trend can be seen to run through the flood of separate incidents—the growing confusion and entanglement of political and common crime, making the mystery stories even more mysterious than before.

A recent case provides a perfect illustration. In Palermo a month ago, Sig. Michele Reina, provincial organiser of the Christian Democrats, was shot dead. Responsibility was claimed by anonymous telephone callers (following the time-honoured pattern) purporting to represent Prima Linea. Just 24 hours later, however, what had first looked to be the first political killing so far reported from Sicily was denied by other callers, again purporting to be from Prima Linea. Police are now inclined to think the Mafia were behind the killing. The trail, meanwhile, has apparently gone cold. In a host of other violent crimes common bandits are sheltering behind dubious political labels in the hope of throwing the police off the scent.

Since 1960 over 380 kidnaps for ransom have been carried out, netting a total of L150bn (£85m) for their perpetrators. But according to the Interior Ministry, cases in 1978 dropped to 42 (L9bn only in ransom) from 78 in 1977 (L20bn). At present it is believed that "negotiations" are still going on for the release of 15 victims.

Violent crime (even its more recent extension into political fields) is nothing new in Italy. Its roots are deep in the structure, or rather lack of it, of the State.

In a sense it could be argued that today crime is merely the extreme manifestation of the centrifugal forces in Italy, where people long accustomed to receiving aid from the official institutions create their own. There now are private universities alongside those of the State. There is even a "submerged economy" operating alongside the one that shows up in the official statistics. Crime, it could be said, is one more example of energetic people "doing their own thing."

**Ransom**

The one constant in the equation is the succession of kidnaps for ransom. The causes of the proliferation of such crimes are well chronicled, above all the migration (voluntary or forced) of Mafia and other criminals since 1960 to the wealthy north of the country, away from the south. The evidence is that the police are tackling this problem with perhaps more success than they have achieved in the battle against political terrorism.

At the start of 1979 a history-making trial ended in Reggio Calabria. For the first time ever 28 members of the Calabrian Mafia were sentenced to jail, for terms totalling 207 years. The endemic violence of that blighted southern region continues, but police may be making inroads into the kidnap industry ("Anonimo Sequenzi" or "Kidnaps Inc." as it is commonly known).

On to this has been grafted the comparatively new branch of political terrorism and violence, whose historical birth is generally regarded as dating from the Milan bomb outrage of 1969. The death of 16 people in the Banca Nazionale dell'Agricoltura was the climax of the so-called "strategy of tension" which continued in the 1970s in an attempt to undermine the Communist Party's steady approach towards power. From the outset it was believed that the political far Right and the Italian Secret Service were linked with the affair. This conviction has been reinforced by events as the trial of those responsible finally drew to its end in Catanzaro, 10 years after the atrocity.

In circumstances as ludicrous as they were sinister, two of

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The reasons of Fanticmotor's success are all here.

Continued on next page

MILAN

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7/12 June 1979

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January 1980

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مكتبة النخيل

ITALY XI

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The Vatican

A significant year

THE VISIT of Pope John Paul II to his native Poland at the beginning of June will mark the climax of what has perhaps been one of the most significant years in the history of the Roman Catholic Church. For the first time in four and a half centuries, a non-Italian and indeed one from a Communist country has been elected Pope.

The election last October of Cardinal Wojtyla, the former Archbishop of Cracow, was clearly intended as a symbol of the apparent renewal of the Church and a tangible expression of the Church's sense of universality. Already in the first five months of his pontificate the new Polish Pope has lived up to these expectations. From his very first statements, he emphasised the need to ensure fundamental human rights and freedoms for all citizens. He has repeatedly laid considerable stress on the need to advance the spirit of ecumenism with the other churches and has insisted that the institutional church as such had no direct role in political life.

In his first encyclical last month entitled "Redemptor Hominis," the new Pope strongly attacked the failings of both Western and Communist models of society and warned bluntly of the dangers of the ever-increasing gap between rich and poor. The document reaffirmed the Pope's determination to preserve the Church's independence and to concentrate on protecting man's dignity irrespective of the political system under which he lives. The Church, it asserts, "is in no way bound to any political system" and is completely separate from the political community.

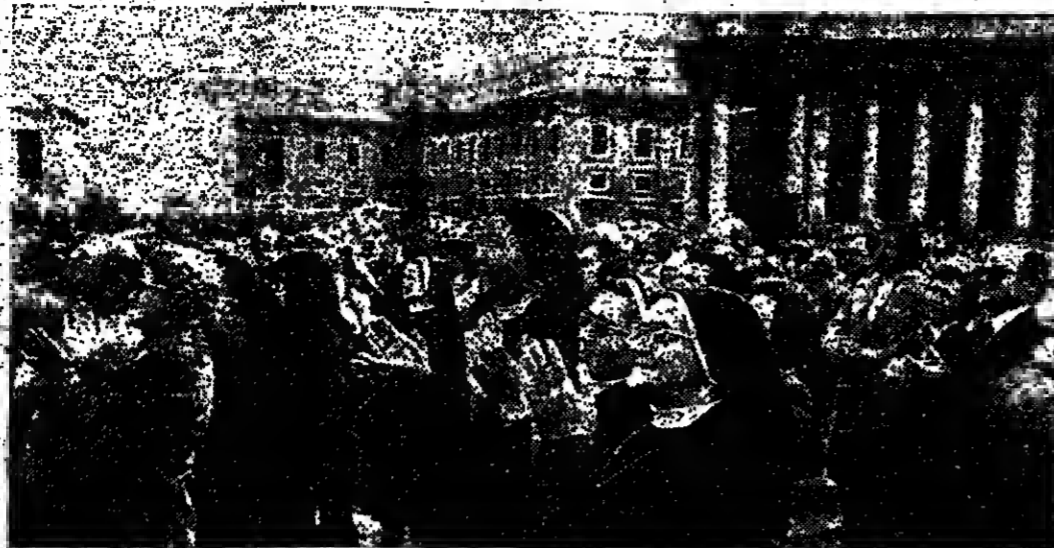
Style

The Pope's own personal style has also had considerable impact. When his name was first mentioned from the balcony overlooking St. Peter's Square, the reaction of the crowd of some 500,000 gathered there was at first one of bewilderment. One local Roman standing in the Square when he heard the Pope's name pronounced exclaimed: "My goodness, they have elected a Japanese."

But his election, after the initial reaction, was enthusiastically welcomed also by Italians, especially in view of the new Pope's apparent disregard for traditional Vatican pomp and protocol, his accessibility and his conception of his role essentially as a pastoral leader. A measure of his popularity was the need to hold three general audiences on a Wednesday late last month—the day the Pope traditionally holds his general public audiences—to accommodate the increasing number of pilgrims and Italians wanting to see him.

For Italy, as indeed for the Communist world, his election is particularly significant. In a country where more than 90 per cent of the population are Catholics despite the large electoral support enjoyed by the powerful Italian Communist Party, the election of Pope John Paul II will inevitably weaken the traditionally strong, if recently informal, links between the Vatican and the long-ruling Italian Christian Democrat Party. At the same time his pontificate is also expected to open up a series of questions about the future course of events in the Catholic parts of Eastern Europe and perhaps about the future development of the Soviet dominated power structure as a whole.

However, it would be misleading to consider the election of Pope John Paul II as a sudden change in Vatican attitudes and a major break with the recent policies advocated by the Church. Indeed, in many respects it is quite the opposite. His election is in large measure seen as a consolidation of the fundamental philosophies of the papacy of Pope Paul VI, who died last summer, in the key



An enthusiastic welcome from a group of nuns for the Pope at his Sunday morning appearance in St. Peter's Square.

areas of doctrinal, social and political affairs. For his part, the Pope has implied on various occasions that his papacy is likely to be marked by a liberal policy on social issues and a centrist and generally a traditionalist approach on theological and doctrinal issues.

Above all, he has assigned particular prominence on the policies emerging from the Second Vatican Council started by Pope John XXIII and completed under Pope Paul VI. He has suggested two alterations, for example, in the increasingly controversial question of priestly celibacy and the Church's traditional view on divorce and related family issues like birth control and abortion. In this respect the Pope earlier this year became entangled in a bitter revival of the controversy over recent legislation legalising abortion in Italy and re-affirmed the Vatican's traditional moral position against abortion.

Like Pope Paul VI, the new Pope at the end of January chose Latin America—a continent expected within a few years to make up as much as half of the world's Roman Catholic population—for his first major excursion outside Italy, to attend the opening of the Latin American Episcopal Conference in Mexico. There he again stressed the need for human rights and seemingly endorsed in part the politically activist involvement of many Roman Catholic missionaries in a continent whose huge social and political problems have aroused some of the fiercest ferment in the Roman Catholic Church and where, according to the new Pope, the future of the Church is probably at stake.

But he also firmly indicated that he did not go along with the more extremist interpretations of the so-called concept of the "theology of liberation" formulated some 10 years ago at the previous Episcopal Conference at Medellin in Colombia. The Church, he re-asserted, should stay out of politics. In essence this was a declaration to the effect that the Church in Latin America should give priority to defending the rights and interests of the poor. But in a continent torn by military dictatorships, torture and oppression and where the divisions between rich and poor are often at their extreme, such a concept carried with it major implications for the Church. It implied direct involvement in progressive, left-wing Latin American political affairs, and for many American clerics it represented a call to engage directly in fighting in defence of human rights and against oppression.

In the same way, despite the Pope's personal background, Vatican observers generally feel there are unlikely to be any dramatic overtures between the Vatican and the Communist world. The new papacy is likely to endorse and reaffirm the gradual "opening to the East," a dialogue between the Church and the East European Communist countries launched unexpectedly some three years ago under Pope Paul VI.

This dialogue has been called a policy of "political concessions for pastoral gains" and aims to enhance the Church's mission in Eastern Europe and see its vocation recognised. However, in a predominantly Catholic country like Poland, the election of a Polish Pope is bound to put considerable pressure on the Government, as indeed on those of the other Communist countries.

The same to some extent appears to be true of the new Pope's attitude towards Euro-Communism, an issue which is particularly important for a country like Italy. While the dialogue between the Italian Communist Party and the Church could now increase, the Church has also asserted that there remains an incompatibility between Christianity and Marxism and an incompatibility between the Church and the Communist Party so long as the latter maintains a Marxist-Leninist approach and its underlying aim to set up a collective State, sometimes referred to as Marxist and on other occasions as Socialist. None the less, the Pope has also rigorously attacked the "moral disorder" of Western societies where individual liberty is often confused with excessive consumption and acquisitiveness without any basis in ethics.

Conflict

As further evidence of his desire to continue the broad policies in Italy of his predecessor is his declared intention to complete the important revision of the Concordat, the pact regulating the Church-State relations in Italy concluded between Pope Pius XI and Mussolini. The spirit of the revision is in keeping with the fundamental thinking of both the Italian political parties and the Vatican, which seeks "no privileges but only sufficient liberty to carry forward its evangelising mission." Indeed, Pope Paul VI sought to establish in Italy the Church's total and unambiguous autonomy from its old ally, the Christian Democrat Party.

Against this background, the election of the new Pope and his first preliminary policy statements over the last few months indicate that the Church intends to continue on the course established by Pop Paul VI. The late Pope clearly left his successor with a distinct legacy, including the conflict between the modernists and the traditionalist who have never forgiven the dropping of the Latin liturgy, the challenge of a developing world not steeped in European and Mediterranean traditions, the challenge of the political Left, and the controversial question of priestly celibacy, family issues and the role to be assigned to women in the Church.

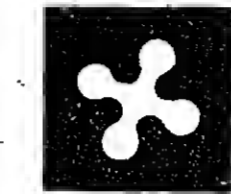
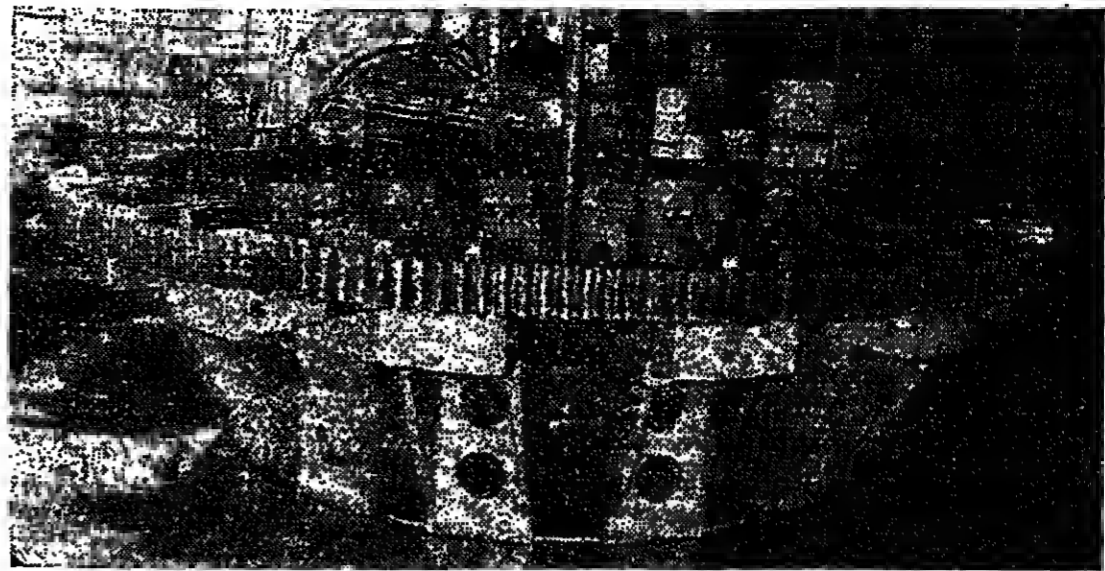
However, Pope Paul VI also devoted enormous efforts to consolidating the revolutionary changes advocated, but not all introduced, under the innovative and progressive pontificate of Pope John XXIII. A vital question, often misunderstood and resulting in Pope Paul VI

being often depicted as a dull and "bureaucratic" figure, was his concern to ensure the broad lines that he hoped his successor would assume. He devoted much time to reforming the Government of the Church, seeking to give bishops greater involvement in the problems affecting the Church and a greater voice in the ruling Vatican Curia. He wanted to rejuvenate the Italian-dominated bureaucracy of the Vatican, and progressively if slowly to internationalise the Church to prepare it to face a modern society. Above all he wanted, and in great part succeeded, to open the way towards freeing his successor from the constraints of the Curia and to allow him more flexibility to pursue a pastoral role.

The election of Cardinal Wojtyla is clearly in line with this thinking. The broad pattern had already been set by the election last August of the short-lived Almino Cardinal Luciani, the Patriarch of Venice and an essentially pastoral figure, shortly after the death of Pope Paul VI. In a sense, the sad and brief pontificate of barely one month of Cardinal Luciani, who chose the name John Paul I, represented the necessary transition leading to the election of the former Archbishop of Cracow. At the time it seemed — on the surface at least — a dramatic and revolutionary choice. Five months later, it looks perhaps as an obvious one.

P.B.

LOMBARDY - A EUROPEAN STRATEGY



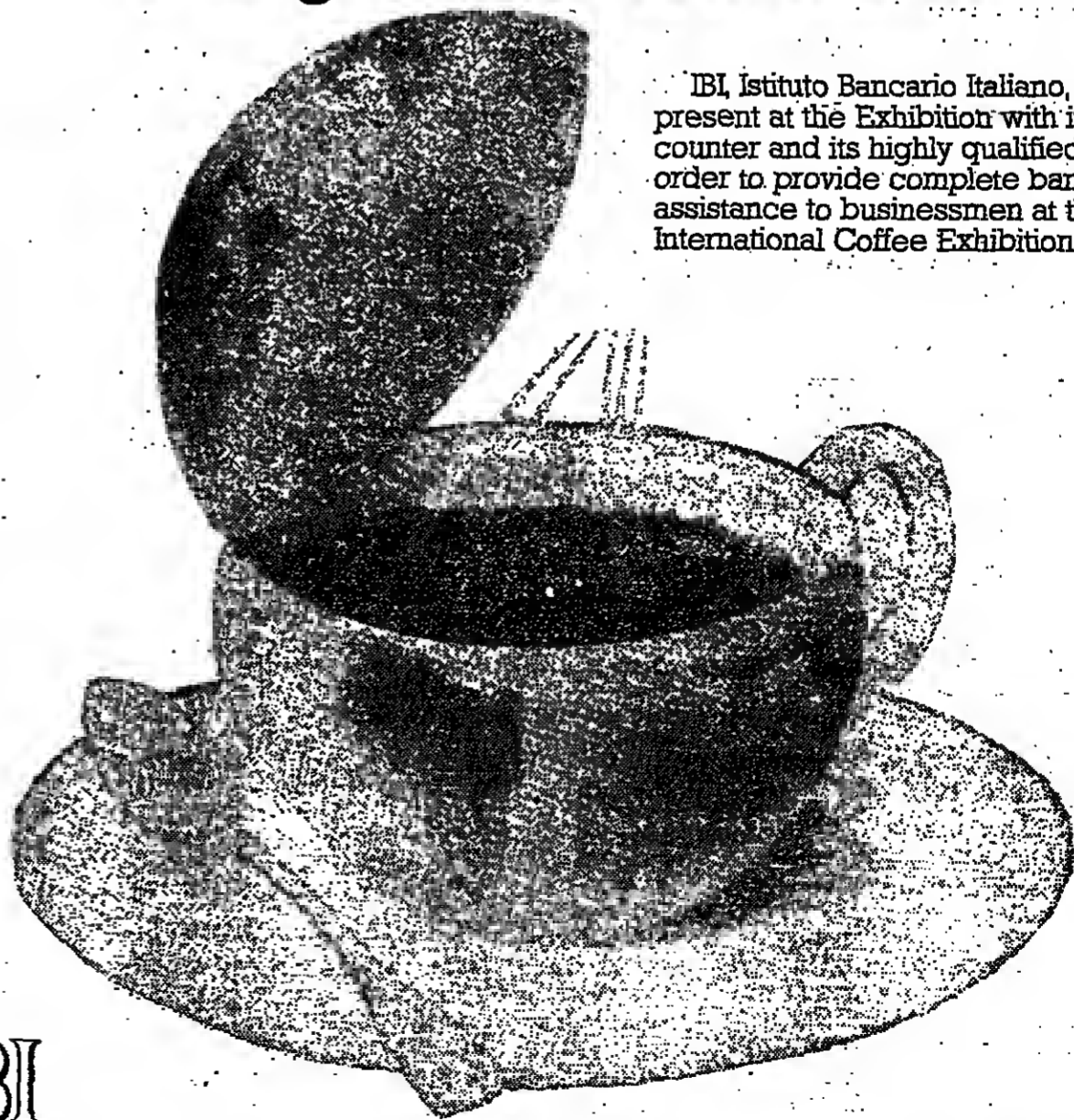
Regione Lombardia Southern regions)

The Lombardy Region has prepared its first development plan. It has been worked out bearing in mind national development plans and it outlines the stages of development for Lombardy over the next decade. While stress has been laid on quality rather than quantity (also in order to reduce the gap with the less industrialised Southern regions) investments have been allocated as follows:

Out of the total funds available, Lit. 3,800,000m., Lit. 500,000m. have been allocated to social services, Lit. 1,400,000m. to the economic sector and the remaining Lit. 1,900,000m. to environmental problems. This means that expenditure in the social field will be on a higher level, though restricted, to the advantage of investments in the advanced technology sectors, which, requiring skilled labour at a medium-high level will not cause an inflow of workers from the South, but stimulate qualification of the existing labour force. Thus employment levels will be protected by better organisation of the production structures. Technologically more competitive industry, advanced agriculture and the necessary and qualified auxiliary services require the preservation of natural resources and adequate territory interventions. Therefore the regional development plan has focused on the environment as a priority sector and, in particular, on the completion of hydraulic and sanitary works and the rehabilitation and purification of the lakes and rivers as well as transportation and road works. As Lombardy's European role necessitates a good communications and service network with other European regions, the plan provides also for work such as the Stelvio tunnel, the extension of the Malpensa international airport, a railway transport plan and new customs facilities.

This is the strategy adopted by Lombardy and a clear proof of its European calling.

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Story

CONTINUED FROM PREVIOUS PAGE

the leading accused, neo-Fascists Franco Freda and Giovanni Ventura, escaped separately, within a three-month interval. At best it was incompetence, at worst complicity on the part of a state that might well have been frightened at the secrets that could have been told. In any case the blow to the reputation of the security forces was immense, and pressures have again mounted for the effective overhaul of the whole apparatus, which was promised by the outgoing Andreotti Government.

Terrorism on the Right was swiftly matched by terrorism on the Left, fuelled by political causes of its own. The first, and probably most important, was increasing disorientation and dissatisfaction on the far Left at the advance of the Communists along the path of the "historic compromise" or understanding with the Catholic forces in Italy. Revolutionary purists concluded that the party had abandoned its soul in search for power, and took matters into their own hands.

A similar process undoubtedly has taken place at union level. Workers, like the political militants, felt that their orthodox leadership had gone too far along the road to compromise with the establishment. The consequence is that factories are often hotbeds of extremist agitation, especially in northern cities like Turin where many of the ordinary workers are displaced southern migrants. Symptomatic of the trend was the murder in Genoa of a union official by the Red Brigades in January, after he had helped identify one of their sympathisers at the local Italsider steel plant.

Another breeding ground for extremism and violence is Italy's chaotic university system, which might have been invented to foment terrorism. The habit has spread back to the schools, which are now a battleground in the highly politicised gang warfare that can slice through Italian cities. Nowhere perhaps suffers worse than Padua (which brings

us back to the university professor attacked there on March 21). That once-pleasant city, 20-odd miles inland from Venice and the home of one of Europe's most distinguished universities, which played host to Copernicus and Galileo and Harvey, is proportionately the second worst city in all Italy for drug addiction and hold-ups.

The new Psychology Faculty, to cite but one example given by Professor Luciano Merziliano, Rector of the university, was conceived for 1,000 students. Now, following direction from the Education Ministry, it has been thrown open to all. Over 9,000 students are enrolled. The Faculty inevitably has become not only a factory of unemployment but also of terrorism, as the attack on a member of the university staff shows only too clearly. There could not be a more vivid warning of the threat to law and order in Italy of unemployed youth.

R.C.

ITALY XII

Tourism

# Bookings look healthy

IT IS hard to remember during the present boom that it was only five years ago that Italy's then Minister for Tourism was advocating closing down his Ministry and transferring its functions elsewhere. That was in the wake of the 1973 outbreak of cholera in Naples, when the number of foreign visitors fell drastically and earnings of foreign currency from tourism were a fifth of their level today.

The Ministry still remains the least important in the Italian Cabinet. Its building hardly inspires confidence, huddled away in lonely isolation behind the Basilica of St. John in Lateran, and the Minister is still the first to be sacrificed in every Government reshuffle.

Sig. Carlo Pastorino, the outgoing Minister, was more successful than most of his predecessors in shaking up his office during his short period in control. For the first time in many years the Ministry benefited from being in the

hands of a competent manager and businessman instead of a loyal party stalwart. But, as was predictable, he has been moved out in the latest Government changes.

Tourism is now just too large an item in Italy's balance of payments to be treated lightly. It is also one of the country's key industries, accounting for about 2m employees and 250,000 different companies: hotels, agencies, tour operators and so on.

In 1978 — the year of the terrorists, the Moro assassination and bad publicity in the German Press — foreign currency earnings from tourism totalled just over L5,000bn, or L1,000bn up on the previous year.

Bookings are known to have fallen off last year because of the political violence, but either the holiday makers safe on their beaches were not as afraid of the Red Brigades as they were of the 1973 cholera epidemic, or the lira was such good value compared with other European

currency that a holiday in Italy was too good to miss.

This year expectations are high that tourism will bring in the equivalent of L6,000bn in foreign currency. But observers carefully point out that the increase does not necessarily mean more foreign tourists, or even that the same number are spending more lavishly.

### Increase

A large part of the increase will be accounted for by rising prices. Operators are also worried that unless the labour disputes now crippling Alitalia, the national airline, are settled quickly they will have serious repercussions.

However, there are a number of concrete signs that 1979 will turn out to be another good year. Summer bookings are up on 1978 and the hotels and beaches along the Adriatic are already preparing for a record invasion of German holiday-makers between June and August.

A sudden, massive take-off by Italy's winter skiing season has also been encouraging. After years of neglect by foreign skiers who have always preferred Switzerland, Austria and France, the Italian Alps have finally come into their own.

The international success of Italy's ski team, the Blue Avalanche, can be given some of the thanks for this. But nationally-sponsored advertising campaigns abroad have also produced dividends.

In addition there is a good financial reason why Italian ski slopes have suddenly become so attractive: a two-week stay at one of the top Italian resorts—Cortina, Courmayeur, Sestriere, not to mention the less-fashionable but equally good alternatives such as Cervinia, Madonna di Campiglio, Ortisei—costs less than its equivalent on the other side of the Alps and has as much to offer in terms of skiing and apres-ski life.

One of the added joys for the hardened piste follower used to the astronomical price of ski lifts elsewhere is the ski-pass system. This allows limitless rides for a given period, not only on all lifts in one village but in a whole valley or even an entire province.

The drive to use tourist facilities during off-season months—September to April—is now one of the main priorities for both the national and regional tourist authorities as well as for the private operators.

Italy traditionally has been the place for summer holidays. There is no good reason, however, why Taormina in Sicily with the snow of Etna behind it and the beaches of the Mediterranean in front should not be just as good a place as Nice or Tangier for the wintering public: why visitors who use the thermal baths throughout the summer should not do so in winter and why what are called special-interest tours or study groups should not be just as keen on Taormina in November as they are in June.

International congresses and conferences are another way of boosting off-peak tourism. It is estimated that the participants at these events spend about 50 per cent more than normal holidaymakers, that they stay an average of five days and that they bring their wives, secretaries or children with them.

The largest operator in this field and perhaps the most successful is the Italian subsidiary of the American Express. The company, now headed for the first time by an Italian-born managing director, Sig. Gustavo Galluzzi, has been in the congress business for only four years but it has managed to corner the largest single share of the Italian market with its own specialised congress section.

Its success, particularly in arranging medical and scientific events, has been largely responsible for prompting the government to take the congress business more seriously in terms of foreign promotions. But a proposal to introduce some form of subsidy system for such activities has fallen by the wayside for the time being.

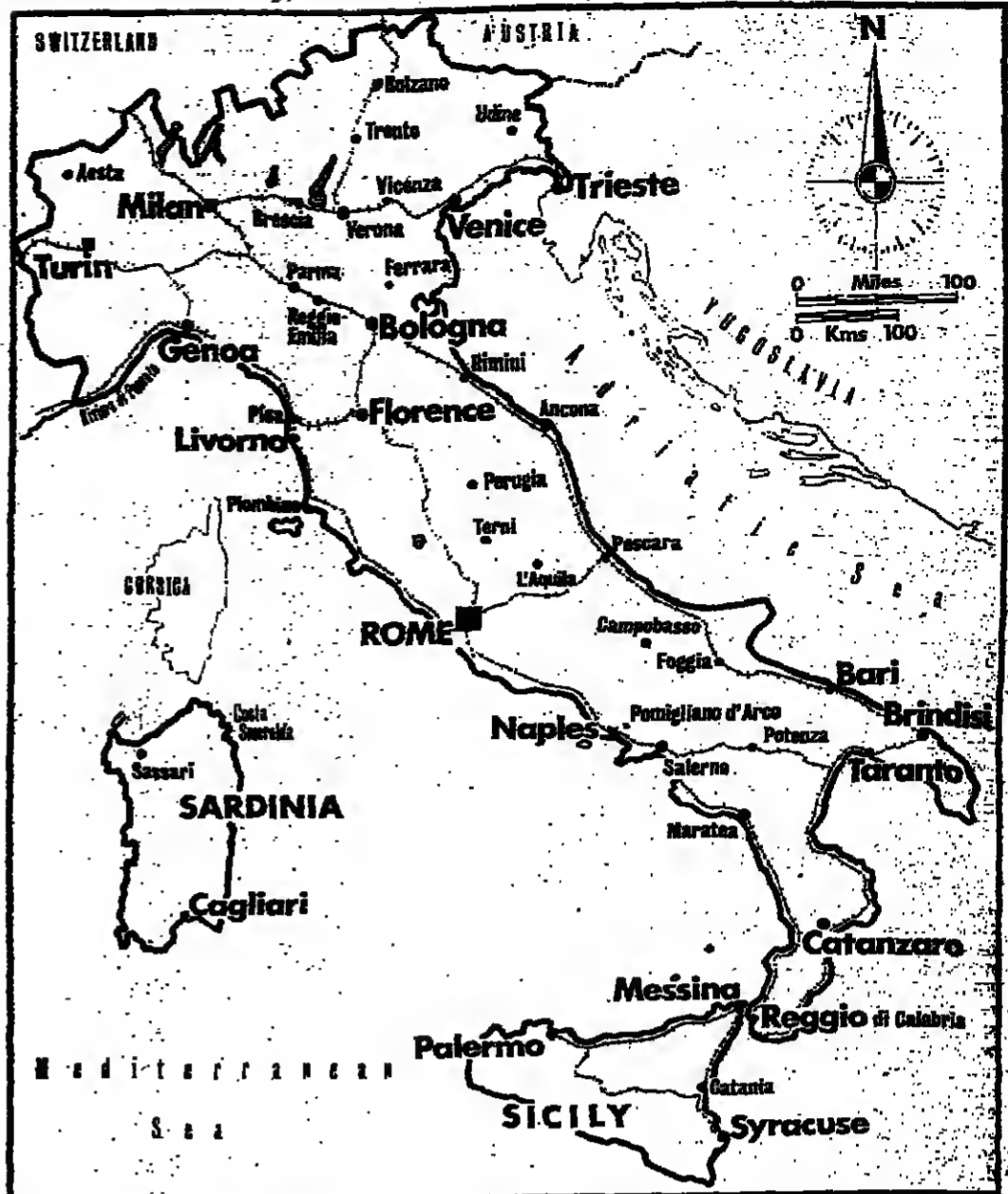
The congress business is no easy investment. A large international event requires considerably more in terms of organisational skill and special management techniques than a group tour of pilgrims going to the Vatican. It takes about a year and a-half to organise and needs the support of a vast network of facilities—from arranging travel and hotel bookings to printing gala dinner invitations.

Such events are also subject to cyclical fluctuations. For example, no association wants to hold its annual meeting in the same place two years running. And a congress organiser is more likely to be swayed by strikes and political violence than the ordinary tourist when choosing a venue.

Congresses have also become more and more sophisticated in recent years. And while Venice, Rome and Milan have little difficulty in providing facilities with simultaneous translation, closed-circuit television, auditoria seminar rooms and dining arrangements for 2,000 guests, smaller centres such as Florence, Bari and Bologna cannot always compete.

All these considerations probably account for the fact that only 14 world-wide congresses are scheduled for Italy this year—with American Express picking up six of them—compared with the 40 in 1978.

Even at a time of boom figures there is no one in Italy



The ruins of the Forum, one of Rome's popular sightseeing attractions.

who would disagree that there is room for improvement in the industry. Existing facilities to cater for the normal tourist traffic are used at only half their full capacity. The South of Italy—the Mezzogiorno—geographically too far for the car-bound tourists from Germany, Holland and Austria, is still under-developed although it has much to offer. The well-organised private tour operators are almost all non-Italian and the few Italian ones are mostly regionally based.

### Facelift

The State-operated and controlled CIT (Compagnia Italiana Turismo) has not been much of a success either and registered losses of L2bn in 1978. There was talk of closing it down a few years ago, but now the idea is to re-vamp the rusty, old-fashioned organisation with its

gloomy offices and dog-eared, out-of-date brochures.

About L8bn is to be poured into the company, of which L2.5bn will be spent giving the overseas offices a facelift. Another L2.5bn will be spent on the Italian network and the remainder on reorganising and retraining headquarters personnel in Rome and installing computerised equipment in cope with the requirements of a modern international tour operator.

While much of the attention is given up at present to attracting the foreign client and his currency, more could also be done for the Italian tourist at home. This is becoming an increasingly important aspect of the trade as Italian spending for holidays abroad each year continues to rise (last year it totalled L800bn compared with L600bn in 1977) even though strict currency regulations are still in force.

Here the regional authorities are already working hard. But there is a danger that the richer and better-organised regions—mostly in northern and central Italy—will outspend and outshine their poorer neighbours in the south.

It is already evident that a special effort is needed to bring tourists to Calabria, Puglia, Basilicata and Sicily. As private investors are still reluctant to go south this may leave the State carrying the full financial cost.

But unless the development is carefully planned the Mezzogiorno could find itself burdened with the holidaymaker's equivalent of the industrial cathedrals in the desert—large, seasonal, self-catering tourist playgrounds, which have few links with the surrounding community's social or economic needs.

Mary Venturini

ADVERTISEMENT

## A DIVERSIFIED GROUP OPERATING FOR THE COUNTRY'S ECONOMY

For the first half of 1978 the ENI Group showed improved income and cash flow together with increases in investments and research and development activities.

A brief report on operations during the first six months of 1978, prepared by ENI (Ente Nazionale Idrocarburi) for the "Commissione Nazionale per le Società e la Borsa" shows satisfactory economic results, with consolidated growth rates generally running conspicuously above the same period in 1977.

The best results were made by the energy sector, operationally the most important sector of the ENI group. Exploration and production activities were favourable on the whole, largely following last year's trends. More effectively controlled prices affecting oil supplies, their processing and the marketing of petroleum products diminished losses and natural gas transmission and distribution operations showed positive results.

By the end of June 1978 natural gas produced in Italy and transmitted to the market amounted to around 6.5 billion cubic metres, and with the addition of imported gas, the amount of this hydrocarbon fuel distributed by ENI group companies to the domestic market amounted to a total of 13.6 billion cubic metres, which was over 97% of all natural gas consumed in the country.

The production of domestic crude oil and liquid gases increased 49% compared with the first half of last year. Group equity ownership crude produced abroad was 6.5 million tons while the offtakes in excess of ownership shares brought total availability of such supplies to 7.5 million tons.

There were significant increases also in marketed petroleum products both in Italy and abroad. During the six-month period group companies marketed 13.6 million tons of products in Italy, which covered 32% of domestic consumption.

Two other sectors of group operations were reported to have shown equally good results: mechanical manufacturing and engineering and services.

Total man-hours absorbed and indices of productivity for mechanical operations were very satisfactory, leading to an overall favourable economic result. Among equipment orders now being executed, of particular interest is a contract to supply 366 compressors for the uranium enrichment plant being built at Tricastin, France. As for the continuation of similar good results, the report points to a somewhat clouded future for acquiring new orders due to a persistent reluctance toward new capital investing by both national and international buyers.

For the engineering and services sector, the ENI group companies involved showed economic results better than last year's first half. In contract drilling the employment of

equipment and rigs was of a constancy greater than originally expected: the total depth drilled was 211,372 metres. Construction of plant offshore and on land involved placement of 29,379 tons of erected materials. The furnishing of engineering and supervision services suffered from delays hitting some foreign contract executions, caused by late delivery of materials and lateness of sub-contractors in carrying out assignments. On the whole, however, economic results were positive even if not quite as good as last year.

Results for the chemical and textile sectors, on the other hand, continued to be heavily deficient, both suffering because of continuing structural crises and the critical economic situation. Although chemical production and sales volume showed overall increases there was only a modest increase in actual revenues for the first half of 1978. Unit product prices remained generally depressed and even where in some departments there were limited increases, there was an insistent failure to keep up with the inflation rate spiral.

Particularly hard hit were fibres and plastics. A pick-up in demand for elastomers from downstream transformers reflected favourably. Also for fertilisers results were lightly favourable, but the delay and incompleteness of the price control authority, CIP (Inter-ministerial Price Board), in making adequate provisions, together with the increasing international competition, limited such results.

Losses by the textile sector accumulated by June 30, 1978 were greater than those shown for the same period in 1977. Suffering most were the wool and cotton divisions. Orders from wholesalers and retailers were curtailed because of reduced domestic demand for clothing.

Despite the bad news from some sectors, the pick-up in production and improved results by others was sufficient to reflect favourably on the consolidated group results. The report states consolidated sales at the end of June totalling \$5,363 million (21% above 1977) and cash flow amounting to \$610 million.

The improvement of margin made possible, on the one hand, an allocation of \$655 million for depreciation, depletion and amortisation and, on the other hand, an outstanding outlay for technical and research and development investments in Italy and abroad, amounting to \$610 million for the six months, with a limited recourse to new borrowing. In fact, the report states, the net outstanding debt of the Group had fallen to \$6,477 million which is lower than the amount at December 31, 1977, a fact reflecting favourably upon the financial structure and reducing the amount of debt service charges.

## the IRI Finmeccanica group

1978

30 companies 51 works 86,000 employees  
orders received 3,000,000,000 dollars  
invoiced value 2,500,000,000 dollars

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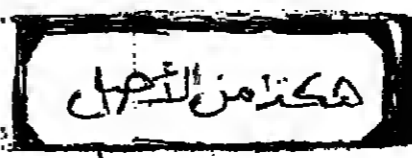
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# Why the EEC lost its temper with Japan

By CHARLES SMITH, Far East Editor in Tokyo

JAPAN and the EEC have a long history of disagreeing about their two-way trade relationship. The disagreement seemed to have reached the point of open bad temper when the European Commission, at the end of three days of routine and apparently fruitless "high level" talks in Tokyo, leaked to reporters in Brussels a document which hinted at the need for restraining Japanese imports and described the Japanese as a "nation of workaholics" living in what westerners regard as little better than rabbit hutches.

The EEC document, or rather the leak, has been interpreted in some Japanese official quarters as one more proof that Brussels bureaucrats are irresponsible and not interested in observing international etiquette. But it may also have shocked Japan into realising the sense of crisis that prevails in Europe about trading with them.

### Acute tension

Despite the size of the Japanese surplus the problem that is causing acute tensions between Brussels and Tokyo is not trade imbalance as such. The EEC and Japan both subscribe to the principle that countries should balance their accounts with the outside world on a multilateral basis, not bilaterally. The EEC will be in external surplus in 1979, both on trade and current account, so the fact that it will undoubtedly be several billion dollars in the red in its bilateral account with Japan should not matter.

What does matter, as Europe sees it, is the fact that the Community's deficit with Japan seems to become larger every year. In 1970, EEC-Japan trade was almost in balance (there was only a small surplus of \$300m in Japan's favour). By 1973 the gap exceeded \$1bn,

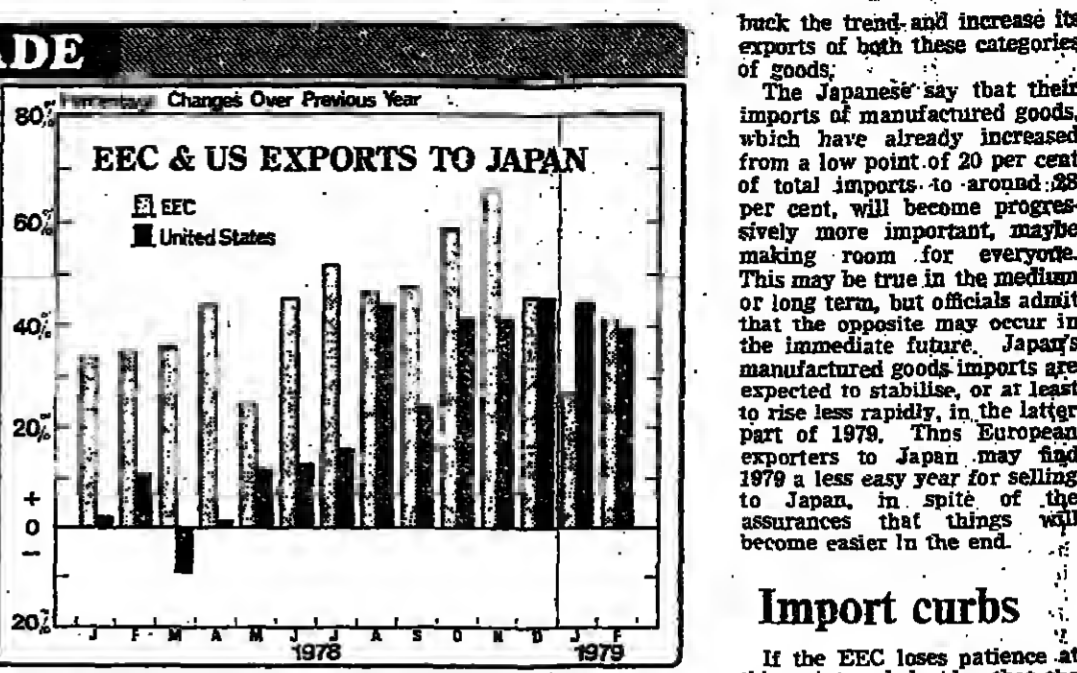
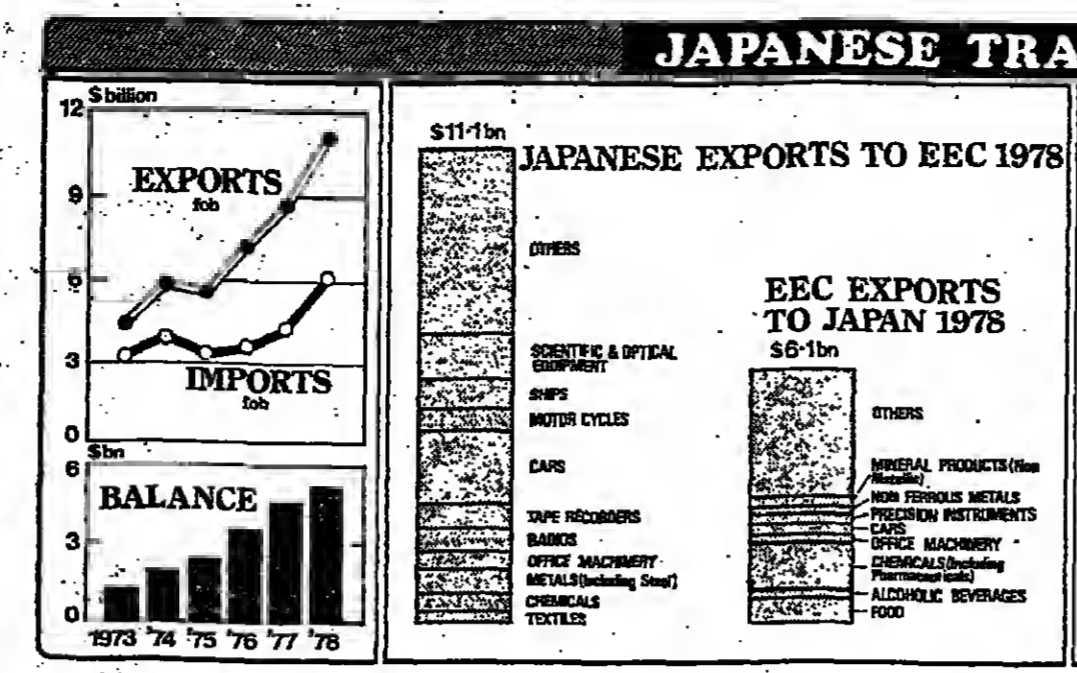
and from then on it grew at a rate of almost \$1bn a year. In 1978 it had reached \$4.4bn. (This is the EEC figure; according to Japanese trade statistics the gap was somewhat smaller.)

The Commission claims that the reason for this trend is that Japan is not a truly open market. Japan's tariffs and quotas are acknowledged to be very moderate compared with those maintained by other advanced industrial countries. Japanese non-tariff barriers, however, are considered in Brussels to be among the most formidable in the world. They consist mainly of certification and inspection procedures which increase both the cost and the time involved in gaining access to the market for manufactured or food products.

Japan agrees in principle that Europe ought to be able to sell more in the Japanese market. It disagrees with Europe about where the blame lies for the present situation, and how much urgency to attach to it. The Japanese point out that the EEC imports from Japan still represent only 2.3 per cent of total Community imports. They also argue that, if invisibles are included, Japan's current account with Europe appears a good deal less out of balance than if one studies the trade account alone.

According to its own statistics, Japan has been running an invisible deficit of around \$2bn with Europe in each of the past three years, and has therefore been in current account surplus with the Community by amounts ranging from \$2.7bn to \$4.7bn.

What Japanese officials do not emphasise to anything like the same extent is that the structure of Japan's foreign trade seems to require that the country should run a permanent surplus with the advanced trading nations. Japan imports practically all the raw materials and energy needed to supply



than similar pressures applied by the EEC.

The point about Japan's alleged habit of listening to the Americans harder than it listens to Europe is important because a considerable conflict of interest exists on either side of the Atlantic with regard to the Japanese trade problem. The U.S. got one jump ahead of Europe in the winter of 1977-78 when it caused Japan to liberalise its imports of oranges and beef (two products of special interest to U.S. farmers whose votes are, in turn, of importance to U.S. Congressmen).

Early this year the U.S. managed to extract from Japan a promise not to buy excessive amounts of animal hides in the American market intended for the protected Japanese shoe industry. Europe failed to obtain a similar undertaking. There have also been hard feelings in Europe about the way Japan's \$4bn emergency import programme has seemed to favour products, such as uranium and passenger aircraft, of which the U.S. is a very major supplier while Europe either occupies the Number Two position or ranks nowhere (at least so far as the Japanese market is concerned).

### Exchange rate

A third area in which Europe would seem to have lost (at least temporarily) to the U.S. is in the struggle to gain an exchange rate advantage vis-a-vis Japan. The U.S. dollar depreciated against the yen by 27 per cent during 1973 (although it subsequently made up some of this lost ground), while European currencies depreciated on average by only about half this amount. The result shows up clearly in the way U.S. exports to Japan surged towards the end of 1978, while the EEC's exports (competing in the same narrow corner of the Japanese market which is reserved for imported manufactured goods) tended to level off.

In February, the last month for which figures are available, the year-to-year rate of increase of Europe's exports once again moved marginally ahead of the U.S. rate of increase, but for a special reason. Of the EEC's sales to Japan during the month in question, 10 per cent consisted of non-monetary gold, a product which Japanese private consumers recently have begun to hoard following the removal of restrictions by the Ministry of Finance on private ownership of gold.

The U.S. is not the only competitor facing Western Europe in the Japanese market for imported manufactured goods. Japan also buys manufactured goods from neighbouring Asian producers such as Korea, Taiwan, Hong Kong and Singapore—four places labelled in a recently published U.S. Congressional report as the "new Jupans." They supplied just over 3 per cent of Japan's non-oil imports in 1967, but had managed to increase their share to 10.7 per cent by the end of 1978 (compared with an 11.3 per cent share for the EEC).

Neighbouring Asian countries still sell mainly in the lower end of the Japanese market but this has not prevented them from emerging, in some cases, as direct competitors to established European exporters. The watch industry is a case in point. Hong Kong, Taiwan and Singapore all made spectacular gains selling watches to Japan during 1976 and 1977. Switzerland (the traditional market leader) and West Germany lost ground substantially. What happened to watches also happened to toys and furniture except that, in these two cases, it was the U.S. and Britain that lost ground. Italy managed to

### Import curbs

If the EEC loses patience at this point and decides that the time has come to start adjusting the trade balance by restricting imports from Japan, there would appear to be plenty of scope for action. EEC countries currently maintain residual import restraints on 64 traditional Japanese export items while Britain has persuaded Japan to adopt "voluntary controls" at industry level on a range of products (including cars and TV receivers) which constitute about 30 per cent of Japanese exports to the UK.

If it feels driven to take drastic action, the European Commission could seek to adopt throughout the Community the restraints which exist in the factio-hasis in Britain. The question is whether this would be a useful way of bringing Japan to its senses, as the hawks in Brussels are inclined to argue, or whether it might not permanently damage the chances of achieving a satisfactory trade relationship.

## Letters to the Editor

### Legislating in haste

From Mr. P. R. Pennington-Legh.

Sir—In the last few days of the outgoing Parliament some 25 Bills were frantically rushed through, in many cases untouched yet by common consent, possessed of manifold imperfections and requiring much amendment. The product of this haste is now piled on our growing statute books. In many instances (for example, an Act concerning standards in the shipping industry) people's livelihoods and safety are at stake. In other Bills far from unimportant economic, environmental and social issues are involved.

Putting aside for one moment the urge to congratulate all sides of both Houses on their hitherto unsuspected speed exhibited during this late sprint to the finishing post, one cannot help but fear that the interests of our legal and Parliamentary systems are being ill-served by such forced measures.

If indeed these Bills (and others which die in mid-term) are essential and apolitical, then surely an all-party commitment can be given (albeit non-binding on future Parliaments) as to their support or opposition that aborted Bills be reintroduced at the reading stage reached when the guillotine falls. Moreover, reasonable time should be allotted (in the morning perhaps) by the incoming Leader to the House to ensure that such carry-over Bills can progress in an orderly fashion.

P. R. Pennington-Legh, 51, Kings Road, Windsor, Berks.

### Barristers' earnings

From The Chairman, British Legal Association.

Sir—While I agree with Mr. David Hirst QC, Chairman of the Bar (March 29) that fees for legal aid defences in criminal courts are often too low, I find difficulty in accepting that one third of all practising barristers earn less than £4,000 per year.

Of course, if, in this one third he includes the one quarter of the Bar recently called—many of them undergoing pupillage (i.e. training like a solicitor's articled clerk)—then his figures make better sense. Why, however, should we lament because young people at the threshold of their professional life earn less than £4,000 per annum? My concern is for the experienced solicitor or barrister working primarily on legal aid matters whose income is very much less than one might reasonably expect for the skill and responsibility involved.

Mr. Hirst says that he has seen a "public demand" for extension of rights of audience to solicitors in the Crown Courts in trials by a jury. That is hardly surprising. On the whole, the public does not voluntarily visit the Crown Courts so that it cannot compare the general position there with the Sheriff Courts in Scotland where most of the jury trials are conducted—for prosecution and defence alike—by solicitors.

In Bodmin Crown Court where solicitors historically have, and regularly exercise, the right to appear as advocates on equal terms with barristers, the disastrous results forecast by Mr. Hirst have not occurred: indeed barristers at Exeter and Plymouth local Bars flourish in competition with solicitors. The proof of the pudding is in the eating thereof, and if rights of audience are extended throughout England and Wales, solicitors will always instruct fully experienced (but not inexperienced) barristers when the case requires.

S. P. Best, British Legal Association, 20, Church Road, Tunbridge Wells.

### Health spending

From Mr. Michael Ryan.

Sir—Mr. T. G. Arthur (Mar. 10) appears to suspect that the DHSS figures for expenditure on the NHS at constant prices were calculated on some "funny money" basis unique to the Department. Perhaps he is less suspicious of the Central Statistical Office and would care to consult the most recent (1978) National Income and Expenditure blue book, Table 9.3 in that publication gives NHS expenditure in 1975 prices for the years 1967-77. From it one can calculate an increase of 34 per cent in respect of current expenditure and 35 per cent in

respect of total final consumption over this decade.

It is also relevant to mention that data published in the CSO blue books permit the calculation of NHS spending as a percentage of total public expenditure. For 1966 and 1975—the years of interest to Mr. Arthur—the figures are 9.0 per cent and 10.1 per cent respectively. It follows that if NHS costs had roughly trebled in real terms during this period, so too would the total public expenditure. And such an improbable occurrence would not have passed unnoticed.

Michael Ryan, Department of Social Policy and Social Work, University College of Swansea, Singleton Park, Swansea.

### Railway technology

From Philip N. Mortimer.

Sir—Recent reports in the technical Press on the review of the Advanced Passenger Train project and its progress to date raise a number of pertinent issues which colour the whole problem of long-term traction policy on British Rail. The long (and lengthening?) gestation period for the APT puts in increasingly in the "jam tomorrow" category and forces an inevitable reliance on existing traction and rolling stock inventories to meet the thrust of competitive modes.

The promise of 150 mph operation over existing track and infrastructure has been progressively de-tuned to a more realistic 125 mph level but this has still to be achieved. The saga of continuous modifications, design changes and associated production problems needs no further elaboration. Suffice it to say that the project has soaked up considerable technical and financial resources for, as yet, no tangible return.

With this in mind, and with the prospect of either further delays or outright cancellation of the APT project, where does this leave BR's plans for equipment to operate main-line passenger services? The success of the High Speed Train (HST) on non-electric routes may give some clues for at least one course of action. The present proposal for the APT on the main line from London to Glasgow under 25kV operation could arguably be one of the least appropriate applications of the APT's tilt-body technology. Rather, it would probably be more appropriate to use the Mk 3 coach (as used in the HST) or its successor either in fixed formation trains with special semi-permanently fixed power units, or use the Mk 3 in train load sets with conventional locomotives capable of operating at sustained speeds of 120 mph. The configuration of the main London-Glasgow line could probably accept the use of such a conventional but very fast train at such speeds without modification or passenger discomfort problems.

Tilt-body trains (diesel-powered) would probably be more beneficial on cross-country routes of a more circuitous nature, where substantial accelerations using conventional stock would be limited by the configuration of the line. What is worrying is that proposals for future electrification of a wider ER network are being linked (wrongly) with the APT, the

### Women doctors

From the Chairman, Standing Committee of Members, Royal College of Physicians.

Sir—Your report on "Women Doctors Campaign for Career Prospects" (March 5) refers to the campaign launched by the Medical Women's Federation to improve prospects for doctors who, after having children, frequently find difficulty in rejoining the medical profession.

May I point out that the Royal College of Physicians is well aware of this need and the Standing Committee of Members of the College produced an information booklet on part-time postgraduate training in medicine. This booklet is freely available from the College.

We very much hope that the Department of Health will be more flexible so that the country will get the benefit of the expertise of those who wish to continue their careers, although the way not necessarily be full-time.

Brian J. Kirby, Royal College of Physicians, 11, St Andrews Place, Regents Park, London, NW1.

### Scrap prices

From the Chairman, Homworthy Engineering, Ltd.

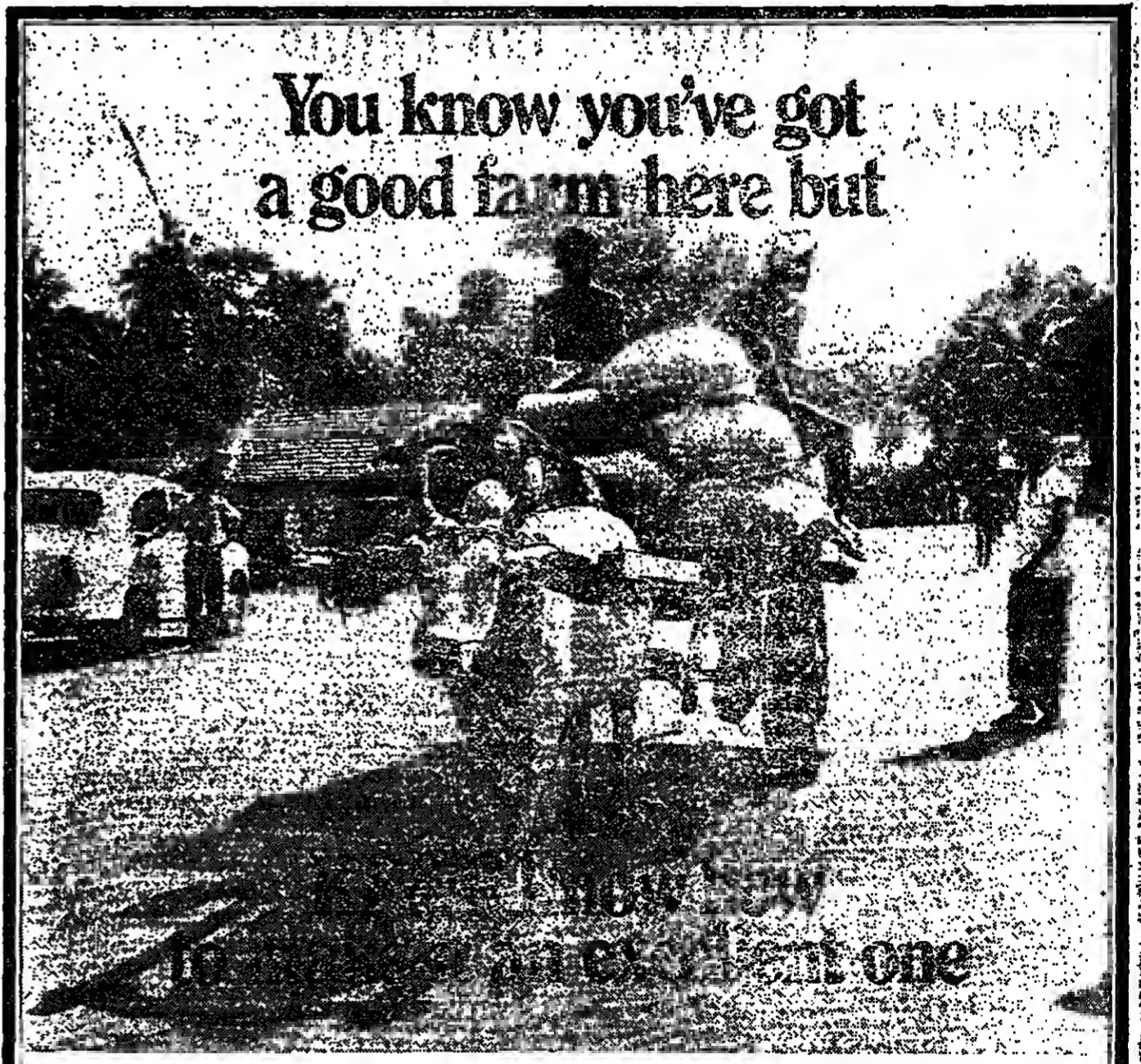
Sir—I was amazed to read under the heading "Japan's Shipbuilding Share Falls" (April 4) the statement that a higher level of scrapping is regarded as unlikely because of a shortage of breaking facilities and lack of demand for scrap.

I would point out that scrap prices in Europe and America are soaring—from the mid-£40s to mid-£70s per ton—and that the demand for scrap in the Far East is one of the causes of this problem. Foundries, and many mills, in this country have a high demand for scrap and I should have thought it not beyond the imagination of a shipbuilding industry to convert quickly to ship-breaking, knowing there is a large market looking for lower-priced scrap in this country and Europe.

D. A. Smith, Homworthy Engineering Ltd, Fleets Corner, Poole, Dorset.

## Today's Events

- GENERAL**
- UK: Mr. James Callaghan launches Lehour's general election campaign, starting nationwide tour in Glasgow.
  - BL (British Leyland) conference of senior executives and union leaders discuss collaboration with Japanese car manufacturer Honda.
  - Talisman, the Stock Exchange's new computerised settlement system, becomes fully operative. Teachers pay talks resume.
  - Department of Industry publishes March provisional wholesale price index numbers.
- COMPANY RESULTS**
- Final dividends: Aurora Holdings, Blackwood Hodge, Dares Estates, Dorada Holdings, Greenbank Industrial Holdings, Hambro Life Assurance, Huntleigh Group, London Pavilion, Richards (Leicester), Rosebree Mackintosh, Wilmot-Bredden (Holdings), Yorkshire Fine Woollen Spinners. Interim dividends: Bryan Holdings, Glass Holdings, Highland Distilleries Company.
  - COMPANY MEETINGS: See Financial Diary on



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We advise on financial management

We undertake valuations

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INTNL. COMPANIES and FINANCE PENDING DIVIDENDS RECENT ISSUES

Thomson bids more for larger stake in The Bay

BY JIM RUSK IN TORONTO
A PIERCE bidding war for Hudson's Bay Company heated up again yesterday when the Thomson family raised its bid for the Bay for a second time.

the giant Toronto-based food merchandising and resource company entered the bidding with an offer of C\$40 a share in cash or Preferred stock.

Diverse aid plan put forward for Manufacture

By Terry Dodsworth in Paris
FUNDS of at least FF 30m (\$7m), and probably twice as much, could be made available to Manufacture, the near-bankrupt French retailing and manufacturing group, if the proposed new organization to take over its affairs is established.

Manufacturers Hanover in Iran decision

BY JOHN WYLES IN NEW YORK
MANUFACTURERS Hanover Trust has been ordered by a New York appeals court to give two U.S. telecommunications companies 10 days' notice before honouring letters of credit to Iran.

Hong Kong interest rates raised again

BY ANTHONY ROWLEY IN HONG KONG
A FURTHER round of interest rate increases—the eighth in the space of a year—was initiated this weekend by the Exchange Banks Association here and will take effect tomorrow.

Setback for Migro Geneva

By Brij Khindaria in Geneva
THE LARGEST supermarket and foodstore chain in Switzerland's French-speaking areas, Migro Geneva S.A., reported a 43 per cent fall in its gross profit during the 1978 financial year, mainly because of the Swiss franc's depreciation.

CURRENCIES, MONEY and GOLD

Interest rate problems

BY COLIN MILHAM
Talk of changes in central bank discount rates has been heard in two of three major centres over the past week or so, but as yet only the Bank of England has made any move.

bank discount and Lombard rates at the end of last month and the continuing weakness of the Japanese franc in the European Monetary System.

OTHER MARKETS

At the beginning of last week, the dollar rose to a 10 month high of ¥216.80 against the yen in Tokyo on Wednesday, before easing slightly, but still remained much firmer than the previous week.

CURRENCY RATES

Table with columns for Currency, Rate, and % Change. Includes Sterling, Deutsche Mark, Swiss Franc, etc.

THE DOLLAR SPOT AND FORWARD

Table with columns for Date, Day's spread, Close, One month, % Three months, % Six months. Includes US, Canada, etc.

THE POUND SPOT AND FORWARD

Table with columns for Date, Day's spread, Close, One month, % Three months, % Six months. Includes US, Canada, etc.

EXCHANGE CROSS RATES

Table with columns for Apr. 6, Pound Sterling, U.S. Dollar, Deutsche Mark, etc.

LONDON MONEY RATES

Table with columns for Apr. 6, Starting Certificate of deposit, Interbank, Local Authority deposits, etc.

MONEY RATES

Table with columns for NEW YORK, GERMANY, FRANCE, JAPAN. Includes Prime Rate, Treasury Bills, etc.

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table.

Table with columns for Company Name, Date, Announcement Date, Dividend/Share Price. Includes Alroyd and Smith, Allied Irish, etc.

Table with columns for Issue Price, Date, High, Low, Stock Name, Dividend/Share Price. Includes Apollo Computer, Hunting Assoc. Defd., etc.

Table with columns for Issue Price, Date, High, Low, Stock Name, Dividend/Share Price. Includes Chesapeake Race & Bldg, Cleveland County Pl. Var. Rate, etc.

Table with columns for Issue Price, Date, High, Low, Stock Name, Dividend/Share Price. Includes Brammer H., Burco Dean, Cement Roadsters, etc.

BASE LENDING RATES

Table with columns for Bank Name, Rate. Includes A.B.N. Bank, Allied Irish Banks Ltd., Amro Bank, etc.

"RIGHTS" OFFERS

Table with columns for Issue Price, Date, High, Low, Stock Name, Dividend/Share Price. Includes Apollo Computer, Hunting Assoc. Defd., etc.

CLAVE INVESTMENTS LIMITED
1 Royal Exchange Ave., London EC3V 3LU. Tel: 01-283 1101.

ALLEN HARVEY & ROSS INVESTMENT MANAGEMENT LTD.
45 Cornhill, London, EC3V 3PB. Tel: 01-523 6314.

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Nordiska Investeringsbanken (Nordic Investment Bank)
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9 per cent. Notes Due 1984
S. G. Warburg & Co. Ltd.

SEK Aktiebolaget Svensk Exportkredit (Swedish Export Credit Corporation)
U.S. \$20,000,000
9 1/2 per cent. Notes 1986
Svenska Handelsbanken
S. G. Warburg & Co. Ltd.
Citicorp International Bank Limited

Set ar, ing Oil's Nom cash, ivity inwon, Share rvice, OF Wales, BOARD TAP

# Mellon Bank, N.A.

(a Subsidiary of Mellon National Corporation)

Pittsburgh, Pennsylvania

## Consolidated Statement of Condition December 31, 1978

	December 31, 1978	December 31, 1977
<b>Assets</b>		
Cash and Due from Banks	\$ 1,520,719,000	\$1,120,766,000
Money Market Investments:		
Interest-Bearing Deposits with Banks	1,684,325,000	1,340,868,000
Federal Funds Sold and Securities Purchased Under Agreements to Resell	284,190,000	185,200,000
Other	170,010,000	105,701,000
Investment Securities:		
U.S. Treasury and Agency Securities	216,568,000	254,002,000
Obligations of States and Political Subdivisions	607,260,000	568,586,000
Other	84,374,000	70,152,000
Total (Market Value \$869,197,000 and \$885,069,000)	918,203,000	892,740,000
Trading Account Securities	84,122,000	133,787,000
Loans, Net of Unearned Discount of \$102,219,000 and \$82,554,000	5,716,995,000	5,100,672,000
Less: Reserve for Possible Credit Losses on Loans	(51,437,000)	(65,900,000)
Total Loans, Net	5,665,558,000	5,034,772,000
Lease Finance Assets, Net of Reserve for Possible Credit Losses on Leases	120,188,000	104,431,000
Customers' Acceptance Liability	603,305,000	372,781,000
Premises and Equipment	88,837,000	85,515,000
Other Assets	282,344,000	208,361,000
Total Assets	\$11,329,801,000	\$9,565,922,000
<b>Liabilities</b>		
Deposits in Domestic Offices:		
Demand	\$ 2,779,098,000	\$2,563,385,000
Savings	1,468,397,000	1,377,188,000
Time:		
Negotiable Certificates of Deposit	1,887,824,000	1,787,931,000
Other	185,677,000	203,233,000
Deposits in Foreign Offices	2,177,577,000	1,750,488,000
Total Deposits	8,488,573,000	7,682,185,000
Federal Funds Purchased and Securities Sold Under Agreements to Repurchase	1,167,258,000	605,134,000
Other Funds Borrowed	128,329,000	69,637,000
Acceptances Outstanding	603,305,000	372,782,000
Other Liabilities	207,119,000	174,077,000
Total Liabilities	10,619,684,000	8,903,815,000
<b>Capital</b>		
Capital Stock—\$5 Par Value		
Authorized—24,000,000 Shares		
Issued and Outstanding 20,038,826	100,194,000	100,194,000
Surplus	257,961,000	257,961,000
Undivided Profits	351,862,000	303,952,000
Total Capital	710,017,000	662,107,000
Total Liabilities and Capital	\$11,329,801,000	\$9,565,922,000

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Chairman, Duquesne Light Company
- ROBINSON F. BARKER  
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PPG Industries, Inc.
- ROBERT J. SUCKLEY  
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Gulf Oil Corporation
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Joy Manufacturing Company

# Call to cut industrial stake alarms German banks

BY GUY HAWTIN, Frankfurt Correspondent

THE WEST GERMAN banking industry has been rocked on its heels by one of the most surprising economic statements to emerge from the Federal Republic this year. Count Otto Lambsdorff, the Minister of Economics, said that he favoured drastically reducing the bankers' massive shareholding in industry.

The banks were not especially surprised by the Minister's support for a reduction of their industrial holdings. They have been expecting it for some time. The shock was generated by the degree to which Count Lambsdorff believes those holdings should be reduced. He said that he favoured limiting a bank's long-term holding in any non-banking company to a maximum of 15 per cent of the equity.

Admittedly, he was far more generous than the Federal Monopolies Commission which has recommended a 5 per cent limit. But it is far below the 25 per cent plus one share "blocking minority" maximum which is expected to be proposed in May by the official committee looking into the long-term issues of banking reform.

The banks, themselves, tend to favour that solution if there has to be a reduction at all. It would mean that relatively few holdings would be affected. At the same time, "blocking minorities" give considerably more influence in a company's affairs than do smaller stakes. They also yield certain tax advantages.

Count Lambsdorff—a member of the Liberal Free Democratic Party and a former insurance man—did not directly threaten Government action. Legislation, it is understood, is ruled out for this parliamentary session and it would be unusual to embark upon such a radical course without a prolonged period of debate.

West Germany's universal banking system differs radically from the Anglo-Saxon concept of things. There is no enforced separation of deposit and investment banking functions. The banks are free to offer the whole range of banking services under one roof, including merchant banking.

They manage their own massive equity portfolios at the same time as managing portfolios on the part of their customers. They trade heavily on the stock exchange in their own right, as well as acting as dealers also for the public. They run most of the country's large unit trusts and, on the industrial side, they not only own large chunks of industry, but also provide much of its financial advice, together with the bulk of its credit.

However, Count Lambsdorff cannot be described as one of the banks' harshest critics. All in all, his text was basically friendly. It was the speech of critical support rather than an out-and-out attack. In many ways he was laying out the ground for the debate which is to take place rather than committing the Government to any particular line.

For instance, he reaffirmed his support for the universal banking system. The universal banks—which have served the country well from the creation of the Second Reich in the 1870s through reconstruction following defeat in two world wars—must remain universal, he said.

Count Lambsdorff suggested tax changes to enable the banks to divest themselves of their holdings without suffering financial loss. Perhaps the key to his attitude to the banks was contained in his support for Deutsche Bank's divestment of 25.23 per cent of Daimler-Benz's equity—the lion's share of the packet it bought from the Flick Group some four years ago. The Minister praised the chosen method as an example of how long-term holdings might be run down.

When Deutsche Bank bought the Flick packet—to keep it from falling into foreign hands—its holding in the concern topped the 50 per cent mark. Official eyebrows were raised and the bank gave an undertaking that it would divest itself of just over 25 per cent of the shares.

It did so by creating a new company, Mercedes-Automobil-Holding, to hold the stock and launched it on the stock exchange. Today Mercedes-Automobil-Holding has two major shareholders which together own 50 per cent, while the remainder of the shares are widely dispersed.

The two major shareholders are Stella Automobil-Beteiligungs-Gesellschaft and Stern Automobil-Beteiligungs-Gesellschaft. Deutsche Bank itself owns 50 per cent of Stella, with 25 per cent in the hands of Commerzbank and the remainder owned by the Union Bank of Switzerland.

Deutsche Bank, oddly enough, also owns 25 per cent of Stern.

## MAIN BANK HOLDINGS IN WEST GERMANY'S 350 LARGEST COMPANIES

COMPANY	BANK SHAREHOLDING	PARTICIPATION (per cent)
Daimler-Benz	Deutsche Bank	25
Metallgesellschaft	Dresdner Bank	over 25
Hochtief	Commerzbank	over 25
Philipp Holzmann	Deutsche Bank	over 25
	Westdeutsche Landesbank	over 25
Deutsche Babcock	SHF Bank	over 10
Preussag	WestLB	over 25
Bilfinger & Berger	Dresdner Bank	over 25
Sachs	Commerzbank	25.00
Orenstein & Koppel	SHF Bank	25.00
Suedzucker	Deutsche Bank	over 25
DUB Schultheiss	Dresdner Bank	over 25
	Bayernhypo Bank	over 25
Diag	SHF Bank	1.94
	Berliner Bank	over 25
Gergmann	Deutsche Bank	over 25
Elektrizitätswerke	Bayerische Vereinsbank	over 25
Nixdorf	Deutsche Bank	over 25
Nordsee	Dresdner Bank	over 25
Heidelberger Zement	Dresdner Bank	over 25
Eternit	Allgemeine Bank	19.00
Ways & Freytag	Dresdner Bank	about 30
Karstadt	Commerzbank	over 25
	Deutsche Bank	over 25
Kaufhof	Commerzbank	over 25
	Dresdner Bank	over 25
Andreas-Noris-Zahn	Bayerische Vereinsbank	over 25
Hapag-Lloyd	Deutsche Bank	over 25
	Dresdner Bank	over 25

Note: The banks' participation in the top 350 companies is, in fact, very much larger. It takes the form, however, of participation in holding companies which own the shares. Ownership of the holding companies is split with other interests, although these are often other banks.

Its partners in this concern, each with 25 per cent, are Dresdner Bank, Bayerische Landesbank and Robert Bosch, the Stuttgart-based automotive, industrial and household electrical equipment manufacturer.

This is divestment of the most painless kind. It leaves the bank's effective control of Daimler-Benz little diluted. If that is what the Minister has in mind, the banks really have very little to fear.

Yet Count Lambsdorff was quite realistic in that it would be impossible for the banks to attempt even a medium-term unwinding of their vast shareholdings through the stock exchange.

Count Lambsdorff clearly views the whole question of divestment as a gradual process. In formulating policy, the

decision makers will have to bear in mind that a change from big bank stakes in industry to much more diversified shareholdings could lead to a major change in the way that industry is run. The banks, in the main, have a record of being remarkably sympathetic shareholders, and private investors could well take different attitudes.

Banks have usually been very restrained in their dividend demands and have almost always put a company's long-term interests above the need for short-term profits.

The bank's massive holdings have provided West Germany's industry with considerable stability. Their record of stewardship has been a good one, and the country has much to thank them for.



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## EUROBONDS

The Association of International Bond Dealers Quotations and Yields appears monthly in the Financial Times. It will be published in an eight-page format on the following dates in the remainder of 1979:

April 10	August 13
May 14	September 10
June 12	October 15
July 9	November 12
	December 10

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INSURANCE

Tax relief deducted from life premiums

BY OUR INSURANCE CORRESPONDENT

THE FORTHCOMING General Election has meant that the financial year began without any major changes to the tax relief on life insurance premiums...

The starting point for this changeover was the Finance Act 1978, and the long period of 1978-79 before implementation...

Another odd corner concerns children's policies. Relief under the 1970 Act is confined to premiums on contracts made by the individuals...

APPOINTMENTS

Board post at Rank Xerox

Dr. Ernst H. van der Beugel, a professor of international relations at Leyden University of The Hague, the Netherlands, has been appointed to the Board of Rank Xerox...

Mr. W. R. Daferny has been appointed a local director of MARRIN BROTHERS AND CO., and will represent the bank in the Midlands...

Mr. Leslie Lambourne has been appointed production director of PRESSED STEEL FISHER reporting to Mr. John Symonds, managing director...

WORLD STOCK MARK

Indices

NEW YORK - DOW JONES

Table with columns for Apr. 4, Apr. 5, Apr. 6, Apr. 7, Apr. 8, Apr. 9, 1978, and Since Comp'd To. Rows include Industrials, Transport, Utilities, and Trading vol.

STANDARD AND POORS

Table with columns for Apr. 4, Apr. 5, Apr. 6, Apr. 7, Apr. 8, Apr. 9, 1979, and Since Comp'd To. Rows include Industrials, Composite, and Long Gov. Bond Yield.

EUROPE

Table with columns for Apr. 6, Apr. 7, Apr. 8, Apr. 9, 1979, and Since Comp'd To. Rows include AMSTERDAM, BRUSSELS/LUXEMBOURG, COPENHAGEN, VIENNA, GERMANY, CANADA, and MILAN.

Financial Times Monday April 9 1979

World Stock Market

Indices

Table with columns for Apr. 4, Apr. 5, Apr. 6, Apr. 7, Apr. 8, Apr. 9, 1978, and Since Comp'd To. Rows include NYSE ALL COMMON, MONTREAL, and JOHANNESBURG.

EUROPE

Table with columns for Apr. 6, Apr. 7, Apr. 8, Apr. 9, 1979, and Since Comp'd To. Rows include AMSTERDAM, BRUSSELS/LUXEMBOURG, COPENHAGEN, VIENNA, GERMANY, CANADA, and MILAN.

HONG KONG

Table with columns for Apr. 6, Apr. 7, Apr. 8, Apr. 9, 1979, and Since Comp'd To. Rows include AEG, Allianz, Bayer, and others.

SWITZERLAND

Table with columns for Apr. 6, Apr. 7, Apr. 8, Apr. 9, 1979, and Since Comp'd To. Rows include AEG, Allianz, Bayer, and others.

AUSTRALIA

Table with columns for Apr. 6, Apr. 7, Apr. 8, Apr. 9, 1979, and Since Comp'd To. Rows include AEG, Allianz, Bayer, and others.

MILAN

Table with columns for Apr. 6, Apr. 7, Apr. 8, Apr. 9, 1979, and Since Comp'd To. Rows include AEG, Allianz, Bayer, and others.

PARIS

Table with columns for Apr. 6, Apr. 7, Apr. 8, Apr. 9, 1979, and Since Comp'd To. Rows include AEG, Allianz, Bayer, and others.

OSLO

Table with columns for Apr. 6, Apr. 7, Apr. 8, Apr. 9, 1979, and Since Comp'd To. Rows include AEG, Allianz, Bayer, and others.

JOHANNESBURG

Table with columns for Apr. 6, Apr. 7, Apr. 8, Apr. 9, 1979, and Since Comp'd To. Rows include AEG, Allianz, Bayer, and others.

INDUSTRIALS

Table with columns for Apr. 6, Apr. 7, Apr. 8, Apr. 9, 1979, and Since Comp'd To. Rows include AEG, Allianz, Bayer, and others.

WALL STREET

NEW YORK

Table with columns for High, Low, Stock, Apr. 6, Apr. 7, Apr. 8, Apr. 9, 1979. Rows include IBM, AT&T, GE, and others.

NEW YORK

Table with columns for High, Low, Stock, Apr. 6, Apr. 7, Apr. 8, Apr. 9, 1979. Rows include Johnson & Johnson, Pfizer, and others.

CANADA

Table with columns for High, Low, Stock, Apr. 6, Apr. 7, Apr. 8, Apr. 9, 1979. Rows include Alcan, Inco, and others.

MILAN

Table with columns for High, Low, Stock, Apr. 6, Apr. 7, Apr. 8, Apr. 9, 1979. Rows include Agnelli, IRI, and others.

NOTES: Overseas prices exclude S premium. Belgian dividends are after withholding tax. \* DMSO denom. unless otherwise stated. \* Plus 500 denoms. unless otherwise stated. \* 100 denoms. unless otherwise stated. \* 100 denoms. unless otherwise stated. \* 100 denoms. unless otherwise stated.

INTERNATIONAL CAPITAL MARKETS

Companies and Markets

INTERNATIONAL BONDS

Difficulties of a mixed market

BY FRANCIS GHILES

IT WAS smiles all round in the dollar, Canadian dollar and particularly sterling sectors of the bond market last week. The story was quite different however in the Swiss franc sector and even more so in the Samurai bond market where the ¥10bn for Eurofina was described by some members of the management group as a "disaster".

latter had been increased for the second time due to strong investor demand. Both met with good reception in the secondary market. On Friday evening EDC was quoted at 99.100 and Hudson's Bay ended at 99.1. A C\$80m two-tranche offering for the Royal Bank of Canada was announced and early indications suggested a very fair reception. Strong demand for all these issues was reported to be coming from London-based U.S. banks, the Benelux countries and the Middle East. Further Canadian dollar issues are expected.

issuing sterling bonds. Bankers say corporate treasurers still consider coupons too high. The first ever Special Drawing Rights denominated bond for a sovereign borrower was launched last week—SDR 50m for the Republic of Finland, by Credit Suisse Firal Boston. The last SDR denominated bond was arranged for the Nordic Investment Bank last month.

CURRENT INTERNATIONAL BOND ISSUES. Table with columns: Borrowers, Amount m., Maturity, Av. life years, Coupon %, Price, Lead manager, Offer yield %.

INTERNATIONAL FINANCE

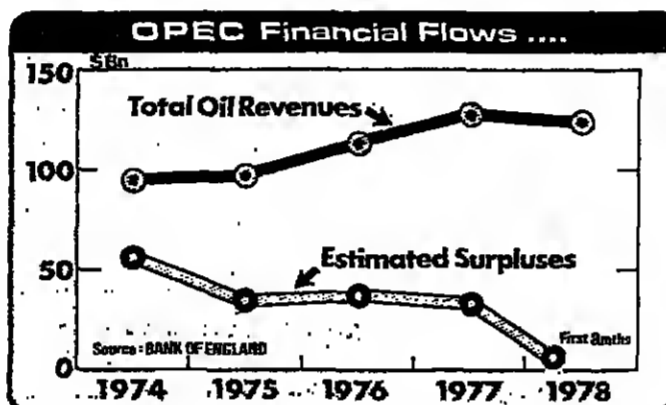
Tapping the OPEC money pool

BY JOHN EVANS, RECENTLY IN KUWAIT

THE BANK of England is negotiating a \$100m 10-year private placement for a UK nationalised industry with a group of major Kuwaiti banks. The fixed-interest placement is being discussed on the basis of a rate under 10 per cent. If agreed, the \$100m would be placed mainly among the shareholders of the London-based consortium, United Bank of Kuwait. It should represent a useful source of funds to help the UK smooth the "hump" of foreign debt repayments due in the early 1980s.

which OPEC restrains oil production in order to protect price levels, total revenues should be up to a maximum \$150bn annually. This suggests OPEC could expand its overall surplus to a figure near \$20bn, compared with the \$9bn-\$10bn outcome in 1978.

Private investments: As well as official surpluses, foreign banks are increasingly cultivating private sources of wealth in the Arab world, which are growing more numerous as economic development distributes money through the economy.



U.S. BONDS

BY JOHN WYLES

The curtain is pulled

CONGRESS LAST week finally pulled the curtain down on the drama which has been gripping the financial markets and raised the Treasury's debt ceiling from \$79.8bn to \$85.8bn on Monday. Having postponed a number of issues in recent weeks, the Treasury was gasping for money and by Friday had raised more than \$20bn through a series of short term bills.

Only short-term rates showed some tendency to climb during the week although by less than had been generally expected. This was best illustrated by the Treasury's sale of three month bills on Tuesday which returned an average discounted rate of 9.593 per cent, the highest on such securities since the 9.908 per cent of August 1974.

activities dominated attention, the market was forced to concentrate its mind on issues related to the major news story of the past ten days. The reason was a \$100m 30 year bond issue by Virginia Electric and Power Company which draws 35 per cent of its electricity from nuclear power stations.

FT INTERNATIONAL BOND SERVICE

Table of U.S. DOLLAR STRAIGHTS and DEUTSCHE MARK STRAIGHTS with columns: Issued, Bid, Offer, Day week Yield.

Table of YEN STRAIGHTS and OTHER STRAIGHTS with columns: Issued, Bid, Offer, Day week Yield.

Table of BONDTRADE INDEX AND YIELD, EUROBOBNO TURNOVER, and CONVERTIBLE BONDS.

Table of FLOATING RATE NOTES and CONVERTIBLE BONDS with columns: Spread, Bid, Offer, C date, Coupon, Yield.

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1978 Sept. Rolls-Royce Corniche Convertible finished in Silver Chalice with Blue hide throughout and Dark Blue hood. 350 miles.

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1976 Jan. Rolls-Royce Corniche 2-door Coupe finished in Silver Chalice with a Black Everflex roof and Deep Red hide upholstery. Head rests fitted all round. Complete service history from R.R. Crews. Speedometer reading 23,000 miles.

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1975 Jan. Silver Shadow Saloon. Pewter over Moorland. Light Grey trim. Quadrophonic eight track, speed control. Speedo reading 29,000. £25,000

SOUTHSEA

1977 May Rolls-Royce Silver Shadow Mark II. Silver Mink with Grey hide. Mileage 10,000. Price on application

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TORQUAY

1978 Aug. BMW 633 CSI Automatic finished in Dark Metallic Blue with Blue leather interior. Electric sunroof, Philips radio/stereo cassette, electric windows, R.C. door mirror, rear seat belts and alloy wheels. Speedometer reading 8,000 miles. A very nice motor car. £15,500

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# FINANCIAL TIMES SURVEY

Monday April 9 1979

## Soft Commodities

This decade has seen some very sharp fluctuations in the prices of soft commodities, notably sugar, cocoa and coffee. Because of this instability — often the result of purely climatic hazards — there is increasing argument in favour of world agreements. But such goals tend to be increasingly elusive.

### Quest for stable prices

By John Edwards  
Commodities Editor

THE AGREEMENT last month to establish a \$750m UN common buffer stock fund was hailed as a major breakthrough towards commodity price stabilisation. Yet even the participants in the lengthy negotiations admitted the new fund would have little or no direct impact on the commodity markets for a long time to come, if ever.

Some people indeed think that the introduction of any artificial measure in the free market system creates more rather than less price instability. They see the fund, and the international agreements that go with it, simply as a means of raising commodity prices to a higher level for the benefit of the exporting countries. There has been a serious attempt to stabilise the markets.

So far out of the ten "core" commodities, picked out under the UNCTAD integrated programme for special attention, there are agreements between exporting and importing countries for only four commodities — cocoa, coffee, sugar, and tin. None is operational at present.

The tin agreement, which has been in existence for over 20 years, has worked in the past. But it lost control of the market at the beginning of 1978 when its buffer stock ran out of supplies and prices soared way above the "ceiling" level. Coffee was also controlled reasonably effectively by an agreement in the past, which broke up when unilateral action by producing countries led to consumers losing interest.

New efforts are being made to put some "positive teeth" into the present framework agreement, but it is likely to be a hard battle with consumers and producers having very different ideas on pricing levels.

### Undermined

The new international sugar agreement, which came into force in January 1978, is also facing considerable problems in establishing any control of the free market. So far the heavy surplus supplies of sugar in the world, the failure of the U.S. to ratify the agreement and the refusal of the EEC to join have together undermined efforts to push prices even to the minimum level of 11 cents a pound. The first objective of the pact, even if this objective is achieved, before member coun-

tries are tempted to break away, the agreement is likely to have a hard time creating the elaborate structure laid down to control the market.

The cocoa agreement, which came into force in 1972 after 15 years of negotiations, has so far had no impact on market prices at all. The market has consistently remained well above the price range laid down in the agreement, so it has been powerless to act; the only positive contribution has been the building up of a large buffer stock fund.

Now that cocoa prices have fallen nearer to the agreement's range, there are considerable doubts about the future of the pact, due to expire in September this year. Negotiations on a new agreement earlier this year broke down because of fundamentally different price ideas between producers and consumers. These have yet to be resolved, but in any event any new cocoa pact is likely to be a very different animal from the existing agreement—it will be considerably simplified, relying basically on a buffer stock to control the market instead of export quotas.

The move towards simpler agreements, using only a buffer stock mechanism, reflects the new-found interest of the U.S. in commodity pacts. Traditionally the U.S. has been opposed to commodity agreements on principle, in that they distort the free market and also block of cartels.

The fears about raw material supplies, triggered off the success of the Organisation of

Petroleum Exporting Countries, persuaded the U.S. Government it might not be a bad thing to become more involved with producing countries. The Carter Administration took the changed attitude a step further by adopting a positively favourable stance in favour of commodity agreements.

But it has not moved far enough in the view of some producing countries. At each negotiating conference the U.S. has adopted a somewhat unyielding attitude in pressing for its objectives—reasonable price levels and a much bigger buffer stock so that future agreements can be far more effective in halting, or damping down, upward price movements as well as stopping prices from falling.

A major weakness of commodity agreements in the past has been their inability to prevent prices rising through the "ceiling" price level once a shortage situation develops. The U.S. claims this is unfair to consumers and is insisting on bigger buffer stocks so that larger surpluses can be built up in times of abundance to offset any future shortages. Naturally producing countries are none too keen on having a large amount of supplies tied up in this costly way, but the extra resources provided by the common buffer stock fund should help.

At the same time the U.S., faithful to its support for the free market system, is trying to tie the price ranges in commodity agreements closer to the market trend. It wants a moving reference point, reflecting

### LONDON COMMODITY FUTURES

#### TRADING

(Turnover in lots)

	1976	1977	1978
Cocoa (10 tonnes)	1,711,706	1,147,727	983,631
Options	4,190	2,665	2,945
Robusta coffee (5 tonnes)	680,188	1,139,185	830,368
Options	16,203	13,151	7,945
Arabica coffee (17,250 kilos)	started January 1978		3,561
Options	60,475	59,092	90,190
Rubber (5,000 kilos)	3,934	2,527	1,248
Options	1,707	4,043	3,209
Sugar (50 tonnes)	857,567	773,393	692,534
Options	24,183	30,372	11,621
White sugar (50 tonnes)	started October 1978		10,739
Options	37,864	33,339	27,804
Soyabean meal (100 tonnes)		242	731
Options			519
Greasy wool (1,500 kilos)	13,601	4,488	430
Crossbred wool (2,500 kilos)	started July 1978		430
Estimated value	£29bn	£45bn	£50bn

changes in the market prices, with flexible bands both above and below when buffer stock action is triggered off.

However, the U.S. appears to have yielded to the insistence by producing countries on a guaranteed "floor" below which prices cannot fall. It claims a sufficiently big buffer stock can ensure this, but other countries are far from sure—pointing to the example of the tin agreement where export quotas have proved to be the only really effective means of preventing prices sinking too low.

Nevertheless it appears that the natural rubber agreement, currently being negotiated in Geneva with great hopes of a successful conclusion, may well see the pattern for future commodity pacts relying solely on a large buffer stock to keep prices within an agreed range

They argue that without the stimulus of free market forces, the commodity agreements could result in stagnant conditions leading to costly permanent surpluses—something like those in the EEC—as prices are pushed too high.

Lack of excitement took its toll on "soft" (non-metal) London commodity futures market during the past year. Turnover fell in all the markets with the exception of rubber. The price falls in cocoa and coffee, after the heady heights reached in 1976 and 1977, and continued depression in the world sugar market, explain the downturn in turnover. But mere disappointment was the failure of the soyabean meal futures contract to build up further and the virtual demise of wool futures after a new effort to launch a crossbred wool contract.

A new "white" sugar market has been successfully added to the somewhat out-of-date London world raw sugar futures contract. But otherwise prospects for expansion of the Exchange with new markets look none too promising. The possibility of a potato futures contract is being studied but appears to have missed the boat, with prices having sunk to depressed levels and the likelihood of a new Common Market potato regime stabilising the market in the years ahead.

### Shelved

The long discussions on a tea futures contract are continuing, but so far with no positive result. Proposals for an interest rate futures contract, to match the success of this new kind of

market in the U.S., have also been shelved for the time being at least. Option trading was also hit by the ban in the U.S.

Nevertheless the London markets have made ground on the more speculative New York equivalents, as a result of their greater flexibility and solid trade support. The rise in the value of turnover to \$60bn last year is largely an artificial figure, including both purchases and sales, and reflects mainly the reduced value of money.

But it does give some idea of the sizeable daily transactions on the London commodity markets, to which have to be added the huge sums traded on the Metal Exchange, and mirrors the growing popularity of the commodity futures markets, with funds seeking protection against currency uncertainties and inflation fears. For the moment the metals are enjoying the biggest support, but "soft" commodities are likely to come back into favour once the main markets overcome their present state of surplus supplies and depressed prices.

Plans to establish a World Commodities Centre in London, and attract the new UN Common Fund to the City, will have no direct effect on the futures markets since the centre is intended to accommodate the international commodity organisations and not the markets. But it will help keep London in the forefront of the international commodity markets, with all the benefits this brings, including an important contribution to the country in "invisible" earnings.

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SUGAR

Prices remain depressed

AN OLD market adage says that the time to buy is when prices are depressed. If this is true, then sugar will be the best bet in the commodity markets at present.

World sugar prices have been stuck during the past year in a range between \$81 to \$114 a tonne—a level uneconomic for even the most efficient sugar producers and a far cry from the heady heights of \$850 reached during the great sugar shortage in 1974.

Ever since 1974 world production of sugar has outstripped demand, leading to the build-up of huge surplus stocks that have depressed prices on the free market. There are hopes that in the current 1978/79 season supply and demand will be roughly in balance at around 92m tonnes, with possibly a small deficit. But hanging over the market are world stocks of over 30m tonnes, which should take many years to clear unless there is a major crop disaster in an important producing area.

So far the International Sugar Agreement, which provisionally came into force at the beginning of 1978, has met with little success in its objective of raising world free market sugar prices to a minimum level of 11 cents a pound.

It has imposed the maximum cut in export quotas, reducing

them to 83.5 per cent of total allocations and so far these have been honoured by the member countries. The effectiveness of the agreement has been undermined, however, by the huge world surplus. Consumers increased stock levels prior to the agreement coming into force and have little or no incentive to buy increased amounts at present.

The agreement has also been handicapped by the fact that it has not been ratified by its most important importing member, the U.S. Legislation to ratify the pact, enabling the U.S. to make its contribution towards the financing of surplus stocks held off by the market, has been delayed by Congress by a bitter wrangle over domestic sugar policy. Until this is settled the U.S. cannot play a really positive role in making the agreement work.

Another major headache is that the European Community has refused to join, and continues to pay heavy subsidies to dump its surplus sugar on the world market—while USA countries are restricting their exports. In the 1977-78 season the EEC sold some 3m tonnes of surplus white sugar on the free market, paying out subsidies of well over \$700 a tonne—more than the price of the actual sugar sold—to make

up the difference to its growers between the high EEC price and the world market price.

Although the EEC has said it will consider joining the agreement in due course, this is unlikely to happen before the whole Community sugar policy comes up for review in 1980. Meanwhile EEC beet growers are trying to step up plantings in order to qualify for the biggest possible quotas when the regime is renewed.

The fear is that sugar producers in the agreement may grow impatient with the behaviour of the EEC—and the U.S.—and decide to go it alone. The longer-term fear is that so many producers will be driven out of business by the uneconomic price levels that another shortage will develop in the years ahead.

Lurking in the background, however, is the increasing competitive threat from the high-fructose maize syrups (known as isoglucose in Europe). If U.S. and world moves to raise sugar prices are successful this could open the door for isoglucose to capture a larger part of the sweeteners market.

A more by the EEC Commission to kill the threat by im-

posing a penal levy on isoglucose has been thrown out by the European Court of Justice. Although further curbs are proposed, it seems that a rise in isoglucose sales is inevitable.

The major threat from isoglucose syrup, however, is in the U.S. where it has already gained a sizeable share of the sugar market. The syrups are made from maize (corn) which is in plentiful supply in the U.S. and the sugar market there is more concentrated on industrial uses—where isoglucose can compete more effectively. Only the low level of sugar prices has prevented further inroads.

Nevertheless, the outlook for sugar is not all gloomy. For a start, a significant new outlet for sugar is developing in its manufacture as alcohol. Previously this was a desperate measure of last resort for sugar growers since the price paid was very low. But the steep rise in the cost of oil, and the moves to replace petrol with alcohol in cars has totally changed the picture. This is particularly the case in Brazil, where imports of oil are the main burden on the country's balance of pay-

ments, so it makes doubly good sense for Brazil to use its domestic sugar resources.

A really determined effort to develop the sugar-into-alcohol industry is being made both in Brazil and other countries like the Philippines. Once the investment has been made there will be no turning back and it could well mean a considerable reduction in exports from these countries in the years ahead.

New uses for sugar—to take advantage of its energy properties—are being developed as well, including its manufacture into chemical form for making detergents.

At the same time history has shown that gross surpluses of sugar, as well as shortages, can quickly disappear on the free market, which only accounts for some 18m tonnes of the total world output of over 90m tonnes. The rest is either consumed domestically or traded under special agreements such as the Lomé Convention between the EEC and African, Caribbean and Pacific countries.

A poor crop in the EEC, and the adoption of a new sugar policy in the U.S. enabling ratification of the international

agreement, could change the situation quite quickly. The 2m tonnes reserve stocks held off the market by agreement members would then assume a much more significant role and enable prices to be pushed up to more reasonable levels.

Meanwhile, although trading conditions on the London world sugar terminal market remain very dull, turnover has kept up surprisingly well.

The introduction of a new white sugar market in October has got off to a slow but steady start, much to the chagrin of the Paris market, which previously had the world's only white contract. London thinks it can do better in meeting the growing demand for hedging against price fluctuations in whites, which always move in a direction different from the raw cane sugar prices.

Comparative turnover figures suggest London is right. In any event the introduction of the white contract has broadened the base of the London market considerably and this could be of great benefit in the future when normal trading activity returns—as it inevitably will.

John Edwards

RUBBER

Revival of interest

TRADING INTEREST in natural rubber has revived during the past year as the market emerged from the doldrums created by sluggish demand. Turnover on the London futures market rose sharply last year, and prices rose to a 10-point high for RSS No. 1 spot, first in November and then in February this year.

Demand for natural rubber has a strong underlying trend in that it is superior to the synthetic competitor in some important and expanding markets—namely radial and heavy duty tyres. At the same time there is apprehension among consumers about future supplies of oil-based synthetic rubber in view of the considerable problems facing the oil industry.

Synthetic rubber prices are virtually certain to go up again following the recent further rise in the cost of oil, but this does not necessarily mean a bonanza for natural rubber producers. For a start the higher oil price also hits natural rubber growers hard, inflating the costs of transport, machinery and money. There is also the fear that as in 1974 the threatened scarcity of oil could give rise in a worldwide industrial recession bringing reduced demand for all types of rubber in the world.

Nevertheless the long-term prospect for natural rubber remains bright. Rubber growers are hoping that the negotiations for an international rubber agreement between exporting and importing countries will result in the form of stability to the market and allow them to expand production without the risk of driving prices down to uneconomic levels if a temporary surplus of

supplies develops. It is a difficult situation. Foreasters, including the World Bank, predict that there will be a shortage of natural rubber in the 1980s unless producers expand output now. But growers know from bitter experience in the past that increased output can often simply result in lower prices and at the moment palm oil output in Malaysia, for example, is rather more profitable. However, if output is not increased now, then natural rubber may be default give away sales to its synthetic competitor in future years.

A new threat comes from the U.S. which plans to develop rubber production from the wauve plant found in plentiful supply in western parts of the U.S. and in Mexico. This is not thought to be economically viable at present, but it might become so if rubber prices rise too high. There is a political incentive for the U.S. which is reluctant to depend too much on supplies from the Far East, where the Communist bloc influence has been building up steadily since the end of the Vietnam war.

A more practical threat has been removed, however, by the changed attitude of the U.S. stockpile authorities to rubber. Under the new strategic objectives supplies of rubber held by the stockpile should be built up rather than decreased by sales, as in past years.

Squabbles in Congress have considerably delayed the new objectives of the stockpile being confirmed and acted upon. But it seems certain that in the future the U.S. stockpile is likely to be a buyer of rubber rather than a seller as in the past.

In the short term rubber prices are likely to fluctuate

considerably on continued currency and inflation uncertainties; the prospect of a major strike in the U.S. tyre manufacturing and haulage industries; and the possible cutback in buying by China as a result of the slowing down of its industrial expansion programme.

But the long-term outlook for

natural rubber must be good. There is certain to be reduced competition from synthetic rubber, as scarce oil supplies are diverted to other uses, and demand for the natural product should continue to rise substantially in the years ahead, as quality standards improve.

J.F.

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GRAINS

Exports call the tune

THE LONDON grain futures markets were shaken out of their moribund state earlier this year as rumour spread rapidly around the trade that the Ministry of Agriculture had overestimated the 1978 British barley crop by as much as 1m tonnes and that dealers in the booming export market were having trouble covering their commitments.

There was also considerable concern about impending action by the Common Market Commission—now taken—designed to curb imports into Britain of cereal substitutes containing monie.

It was widely rumoured, and reported, that if the imports were stopped British animal feed compounders would need to buy a further 300,000 tonnes of barley to use instead. Call for that quantity at the tail-end of the season, added in the fears about the size of the crop and the scale of export demand, would inevitably add a further twist to the upward spiral of prices. Further pressure was applied by the farmers' notorious refusal to sell on a rising market and holding on to their remaining stocks of grain.

In its latest statistical release the Ministry of Agriculture, whose figures are regarded with utmost suspicion by the trade and farmers, maintains its view that last year's barley harvest yielded 10.5m tonnes.

Going even further, the Ministry has reduced its forecast of total grain exports in the current campaign. The early estimate of 1.81m tonnes, to be shipped abroad has been cut by 410,000 tonnes. The bulk of the reduction is in barley exports, now thought to be only 1.15m tonnes compared with the earlier estimate of 1.5m.

In the only apparent concession to the united opinions of the trade and agricultural community, the estimate of demand for barley from the UK animal feed compounders industry has been raised by a modest 25,000 tonnes.

The major factor influencing the futures markets now appears to be the impact of the new importance in Britain of grain exports, particularly of barley. The trade took off with a vengeance in the 1977-78 campaign when exports leapt from a mere 126,000 tonnes the year before to a staggering 2.1m tonnes.

Everyone, including the Ministry of Agriculture, had expected the surplus from the record crop would have to be disposed of in official EEC intervention stores. Indeed, the Intervention Board hastily rented and established storage space for 300,000 tonnes. In the event only some 20,000 tonnes of barley were bought in. This has now been sold and the stores are empty again.

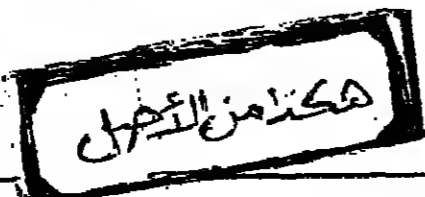
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SOFT COMMODITIES III

SOYABEAN MEAL

# Trade in futures still sluggish

THE LONDON soyabean meal futures market, established after much heart-searching in 1975, is still failing to live up to the optimistic expectations of its backers. It is plodding on and, according to its main sponsor the Grain and Allied Feed Trades Association (GAFTA), still providing a valiant service. But trade is sluggish and lacking in the "excitement" which attracts so much attention to the futures markets dealing in the more volatile commodities.

In contrast with GAFTA's hopes that within two years of opening daily turnover would be around 400 lots of 100 tonnes, the current average is running around 100 lots.

GAFTA has recently been making considerable efforts to arouse interest in the market in France, Holland and Germany, and officials admit that the lack of Continental participation has been disappointing. But, they add, the market is still relatively new, and they remain confident that in a few years there will be far greater use. "The market has survived this first period extremely well, and if it can do that we are sure it can survive in the future," a spokesman commented.

The main reason for the lack of activity in the market lies in the inherent stability of supplies. World production and trade in soyabeans and meal are dominated by the U.S., which, barring disastrous climatic upsets, can generally be relied on to produce ample crops regularly.

There seems to be only the remotest possibility of a repeat of the circumstances of 1973 when the U.S. Government was forced to impose an embargo on exports. The combination of factors—including a small crop and massive buying by the USSR which took the world by surprise—sent prices rocketing.

Now, while the weather remains as fickle as ever, the U.S.

Government operates a system of incentives and disincentives where necessary to keep plantings of the crop well in line with expected demand.

A cumbersome but effective monitoring system has been established to ensure that no major buyers can in future spring unpleasant surprises on the world market.

This year, heartened by forecasts of a sustained world demand, U.S. farmers are expected to raise their soyabean acreages by between 4m-6m acres, making the crop the most important in terms of acreage in the whole country. At least half and possibly two-thirds of the increase will be planted in land used last year for maize.

"The soyabean market looks very bright," Mr. Bob Bergland, U.S. Agriculture Secretary, said last month. "Export demand looks very strong."

His optimistic forecast, made in the knowledge that output in the rest of the world is also expected to climb 29 per cent, reflects the rising demand at home and abroad for protein animal feeds and hopes of a 5 per cent increase in U.S. demand for soya oil.

Records

According to the U.S. Department of Agriculture (USDA), world production and trade in soya will reach new records this season. Global output should be around 80m tonnes, up 8 per cent, though the droughts in Brazil earlier this year may have cut this back by 2m to 3m tonnes.

Exports of beans and meal from the three main producing countries—the U.S., Brazil and Argentina—should climb to almost 32m tonnes meal equivalent, a new record and up 6 per cent on the 1977-78 year.

Earlier this year USDA was forecasting heavy competition in export markets from Brazil and Argentina between May and

August. But this may not now prove to be so severe in view of the losses in Brazil. Even though the foreign trade department of the Bank of Brazil has said export quotas will not be reduced, the true picture is still far from clear.

Because of the depression of the U.S. dollar, prices in America are expected to be firm for most of the year, while in strong currency countries like West Germany and Japan they can be confidently expected to remain relatively low. This should further encourage imports, particularly into the European Community where demand will in any case be strong because of the expansion in meat production there.

The high prices of grain in the EEC will also help to ensure that soya remains strongly competitive in the animal feed market, while expanding crushing capacity in Europe will continue to raise demand for beans.

Import demand in the main soyabean meal markets around the world is forecast to rise 1 per cent, while call for beans will climb as much as 10 per cent, USDA says.

The main factor behind the strength of world markets for this flexible protein is the steady build-up of meat production in Europe, the U.S., Russia and other parts of the world where increasing incomes and dietary sophistication are raising demand for beef, pork and poultrymeat.

In Russia, which has ambitious long-term plans for raising meat output, the January census this year showed the national pig herd was 6 per cent higher than a year earlier. In December last year the U.S. breeding herd was 11 per cent higher than in December 1977, and in the European Community pig numbers have climbed 3 per cent in the past 12 months.

Mr. K. Bader, chief executive of the American Soyabean

Association, recently forecast that Russia would "fairly soon" be entering the soya market "in a big way." He also predicted a steady rise in demand for U.S. produce elsewhere in the world. The Middle East and South East Asia were thought to be the most promising growth areas.

While the U.S. remains far and away the biggest producer of soya, with a huge domestic market to supply as well as the giant's share of world demand, the Latin American growers, notably in Brazil, have made great strides in the past 10 years.

Happily, the production and marketing seasons in North and South America mesh neatly, with Brazil active early in the year and the U.S. taking over later.

There is still enormous scope for expansion in Brazil in spite of the danger of drought in the main growing areas which has severely damaged yields in the past two years.

There are an estimated 150m acres of savannah land in the Cerrados which are barely used at present. Plans are progressing to bring them into full agricultural production, switching away from the traditional range cattle rearing and into soya and other crops.

The World Bank recently predicted that within eight years soya would become Brazil's "star" crop, accounting for more than 20 per cent of all Brazilian exports. It forecast that soyabean exports would almost double to 6.6m tonnes a year by 1985. Soyabean meal sales abroad would grow even more, from 3.5m tonnes in 1977 to almost 12m tonnes.

In the current season USDA forecasts Brazilian exports of beans at 1.7m tonnes compared with 20.6m tonnes from the U.S. Soyameal exports are put at 6m tonnes compared with 5.7m tonnes from the U.S.

Chris Parkes

COCOA

# World stocks continue to build up

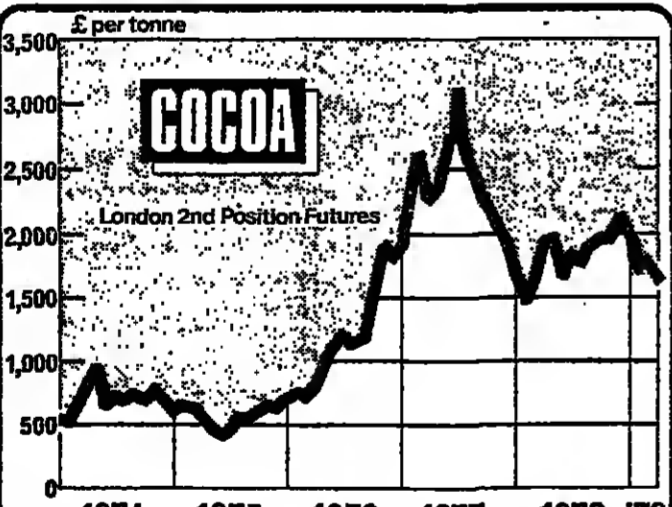
THE WORLD cocoa market is currently feeling the effects of what London merchants Gill and Duffus describes as "a very palpable surplus." Futures market prices recently hit their lowest levels for nine months and many traders expect them to fall further in the near future.

In its last market report, published in mid-February, Gill and Duffus estimated the net world crop in the 1977-78 season at 1,378,000 tonnes, 118,000 tonnes above estimated grindings. And with the current season expected to result in another surplus of at least 49,000 tonnes world stocks are forecast to reach 475,000 tonnes, the highest level since the 1971/72 season.

But many traders think that these figures are already out of date. Prospects for the Brazilian crop have improved substantially, as they have for the Ivory Coast.

The Brazilian temporary crop, harvesting of which will begin soon, is now forecast in some quarters to be as high as 350,000 tonnes, 30,000 more than indicated by Gill and Duffus. The Ivory Coast figure, believed to be between 305,000 and 310,000 tonnes, compared with 295,000 in the report. However a sign of the changing times is that Ghana production is forecast to decline to only 255,000 tonnes—a far cry from the record 568,000 tonnes produced in 1964/65.

These figures, if confirmed, will inevitably depress prices and



and therefore tend to boost consumption. But most market observers believe nevertheless that the 1978/79 world cocoa surplus will be substantially higher than the 42,000 tonnes indicated by Gill and Duffus in February.

Bigger-than-expected crops provide only half the explanation for the depressed mood of the market, however. There is general disappointment that the decline in world cocoa bean prices from the peak of over 2,300 a tonne reached in 1977 has not resulted in a more substantial improvement in demand.

With more cocoa being ground and processed in producing

countries and consumers import-

could go as low as £1,450 as

ing more cocoa products, grindings figures provide a less reliable guide to demand in individual consuming countries than before. But they are still the best available indication of total consumption.

In the 1977-78 season total world grindings are estimated to have slumped to 1,36m tonnes—the lowest level this decade.

In the current season Gill and Duffus expects the grindings total to rise to 1,369m tonnes, but this would still be well below the all-time peak of 1.6m tonnes recorded in the 1972-73 season.

In the 1978 calendar year grindings in the major consuming countries (excluding the USSR) declined by an average of 3.7 per cent. This was mainly the result of an 11.5 per cent fall to 162,660 tonnes in the U.S.—the world's highest consumer. Only West Germany (up 1 per cent) and France (up 6.1 per cent) among the major consumers registered rises in 1978. At 73,410 tonnes UK grindings were 3.8 per cent below the 1977 total.

But grindings in the final quarter of 1978 were 14.8 per cent higher than in the corresponding period of 1977 and this trend is expected to continue.

In February Gill and Duffus forecast total world grindings in 1979 at 1,378m tonnes, 12,000 more than in 1978.

Such a modest rise is unlikely, however, to alter the basically "bearish" mood of the market. Most London dealers expect the cocoa price to decline below £1,600 a tonne before long and some suggest it

further pressure is applied by

continuing glazes of Brazilian beans.

The latest consumption trend indicators did little to discourage this view. U.S. January cocoa and confectionery sales figures showed a large decline to 123m lbs, from 163m in the same corresponding month of last year.

U.S. first quarter grindings are expected to show a slight rise but this is mainly due to a forecast decline in imports of cocoa liquor.

The forecast rise in the U.S. grind is expected, moreover, to be offset by marginal declines in European consuming countries.

If predictions of a substantial fall in prices are borne out producer pressure for internationally-organised price stabilisation measures can be expected to increase.

The mechanisms of price stabilisation are already in existence in the International Cocoa Agreement negotiated in 1975. But the dramatic rise in the world cocoa price since this pact was thrashed out has left its economic provisions way behind.

The pact defends a minimum price of 65 cents a lb, whereas the world price is currently around 150 cents a lb.

The current agreement expires on September 30 but talks aimed at working out a new agreement with a more realistic price range were adjourned without conclusion in Geneva in February.

Range

The gap between producer and consumer proposals was considerable. The producers wanted the minimum price to be set at 188 cents a pound and the maximum at 226 while the consumers argued for a 74-111 cents a pound range. These are the prices at which the buffer stock manager would be required to buy and sell cocoa to keep prices within the range.

Delegates at the meeting confirmed later that new talks would be held before the expiry of the pact and some seemed surprisingly optimistic.

International Cocoa Organisation sources said they thought an agreement could have been reached but had more time been available.

Richard Mopney

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GRAINS

CONTINUED FROM PREVIOUS PAGE

While intervention has been little used, the introduction of a guaranteed floor price in the market has had an inhibiting effect on futures trading.

In recent experience farmers have found it pays simply to hold their grain in their barns as the intervention price rises through the season, rather than use the futures markets.

Another element which has tended to limit activity is the present sequence of bumper harvests at home and abroad. Two consecutive record years in Britain and Europe have fattened traders and discouraged the speculative elements which can spark the increased turnover necessary to stir up trade

interest.

Still, in the 15 years since they were established the barley and wheat futures markets have become well established and widely used as hedging markets with close links with the physical grain trade.

Turnover, however, after reaching a peak of 79,094 lots of 100 tonnes each in 1975/76 has fallen subsequently. In 1977/78 turnover declined to 66,101 lots but this is still more than double the trading activity only a few years ago. It would only need a new supply crisis in the grain market for interest to build up rapidly again.

Chris Parkes

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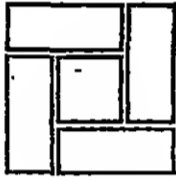
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**SOFT COMMODITIES IV**

**COFFEE**  
**Market coming back into balance**

AFTER SEVERAL years of frantic activity the world coffee market is at last beginning to regain some semblance of normality.

Following the famous Brazilian frost of 1975, fluctuations on the London coffee futures markets reached unprecedented levels. In 1976 nearby delivery prices ranged between £800 and £3,000 a tonne and in 1977 between £1,500 and £4,200. Last year was quieter with a £1,000/£2,000 range and this year the pendulum has swung marginally below £1,500 in February the May delivery price is currently near the year's peak of £1,474.5 a tonne.

But producing countries are anxious that the underlying downward trend should not be allowed to erode too deeply into the price advantage they won as a result of the Brazilian disaster. Pressure for internationally organised price stabilisation measures is stronger than ever and one producer group—the Central Americans—has taken the law into its own hands by engaging in direct market manipulation.

The world supply/demand balance is almost back to normal according to recent estimates. The International Coffee Organisation (ICO) projects exportable production in the 1978-79 season at about 58.48m bags (60 kilos each). This would be close to the pre-1975 level and compares with 59.2m bags in 1975-76.

With prices declining, world demand has also recovered significantly. Imports, which slumped from 55m bags in 1976 to 44.8m in 1977, are estimated by the ICO to have climbed back to 50.2m last year.

The recovery in production is largely due to increases in Brazil, where the 1978 crop was cut from an expected 27m bags

to a claimed 6m by the 1975 frost. Last year's crop was about 19m bags and the Brazilian Coffee Institute (IBC) forecasts 1978-80 output at 21.3m, though most London traders think 16m-17m would be nearer the mark. But the trade is more hopeful about the 1980-81 season. If there is no frost or drought damage this year production in 1980-81 could be as high as 28m bags, according to some London merchants.

**Threat**

Frost is a perennial threat to the Brazilian crop but it appears to be especially at risk every three years or so. And following the worst-ever damage in 1975 the next serious frost came along on schedule last August.

Happily the damage seems to have been relatively minor this time. The IBC puts losses from the 1978-80 crop (frost has a delayed effect as it destroys the flowers, not the developing beans) at about 3.2m bags and many traders feel this is an exaggeration.

More serious for the Brazilian coffee growers was last year's prolonged drought which limited the size of the beans and therefore the weight of the crop. Even with Brazil back into full-scale production the world coffee market is likely to remain fairly nervous. This is because of the low level of stocks. At the beginning of 1975 Brazil held over 20m bags of coffee beans in stock but this reserve was virtually exhausted to keep shipments up following the frost. Any further serious blow to production could have a very sharp and immediate effect on world prices.

But Brazil is unlikely to rebuild its stocks at the expense of its exports. If the optimistic projections for the 1980-81 crop prove correct Brazil's exports,

which have been limited to about 12m bags in recent years, could rise to 17-18m bags. And this could cause problems for the countries which have stepped up production to fill the temporary gap left by Brazil.

Chief among these is Columbia, the world's second biggest producer. Before 1975 Columbia was producing 8-9m bags of coffee a year and exporting 6-7m. But production has since been raised to about 11m bags and exports to 8-9m. The increase in potential Latin American arabica coffee production has been partially offset by a fall in African robusta coffee output because of practical and political difficulties. Latest estimates put total African production in the current season at about 13m bags compared with 15m a few years ago. But it is shipment difficulties caused by deteriorating roads and labour troubles at the ports which are causing the main problems.

The Ivory Coast seems to be the only progressive coffee producer on the African continent and its current annual production of about 4m bags makes it a clear leader in output terms.

With a clear over-supply situation threatening it is hardly surprising that the world's coffee producers are becoming increasingly obsessed with price stabilisation—generally used as a euphemism for price rises. But the consumer countries have so far resisted the pressure. Following the upsurge over rocketing retail coffee prices during the supply crisis moves that would help push prices up again would not win many votes in consuming countries.

So some producers have sought to support world market prices through their own endeavours. A grouping of eight Central American coffee produc-

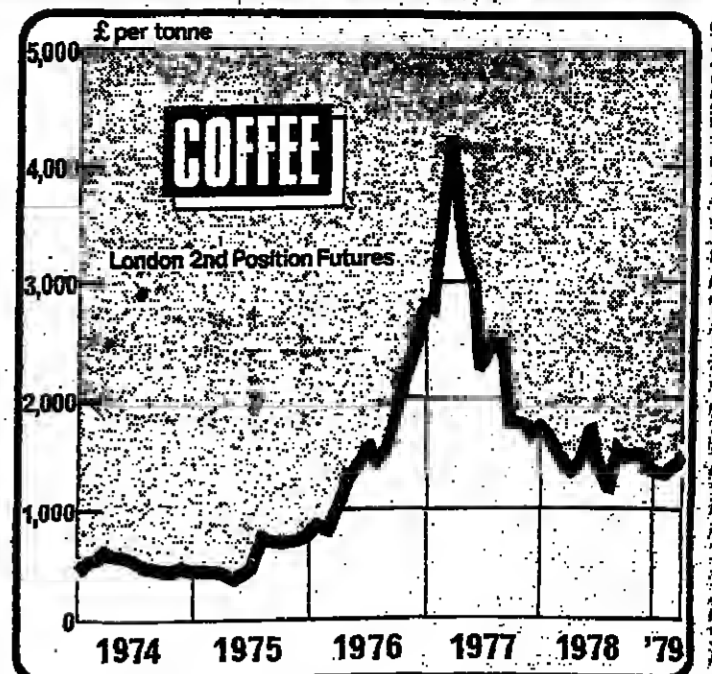
ing nations calling themselves the "Bogota Group" has recently been having some success in this direction.

Early last year the group agreed to impose an export ban "until coffee prices rose to remunerative levels." But the ban had no discernible effect (it is doubtful that it was faithfully observed by the group's members). It had been officially abandoned by the time that early Brazilian frost scares began to boost prices.

When the frost season was over and prices subsided the Bogota Group rejoined the battle, but this time with a new strategy. They announced that they had formed a \$140m price support fund with which they intended to intervene in international coffee futures markets when prices appeared to them to be falling too quickly. This plan was received rather sceptically by the coffee trade which regarded it as little more than a new "puff of wind" from the producers.

**Carried**

But the scheme has in fact been carried through, with no little effect on world prices. Initially the Central Americans bought nearby futures with dramatic but short-lived results in terms of prices. More recently, however, they have adopted a more canny policy of buying more distant positions. This strategy, though less spectacular in its short-term effects, has the advantage of being less obvious in operation and is more cost-effective since it does not involve the producers in holding physical coffee. High forward prices tend to support the nearby and the producers are able to cancel out their holdings without taking delivery at relatively little cost.



The activities of the Bogota Group are generally regarded as the main reason for the relative firmness of the coffee market in the last few months.

But in the longer term the producers are keen to enlist the backing of the consumers for a co-ordinated price stabilisation policy. Various plans for achieving this were being discussed by both sides at the London headquarters of the ICO last week.

One opinion is the formation of an internationally held coffee stocks. But though this idea has been strongly canvassed by some producers, notably Mexico, it is unlikely to find favour with the consumers, who see it as costly and difficult to manage.

A more likely plan is the re-adoption of the old quota system. Under this each producer would be granted a quota, based on previous export performance, which would come into effect if prices fell below an agreed "floor" level. While prices remained above this level there would be no limitation on exports.

The difficulty about this, however, is that producers and consumers have very different ideas about the level at which this floor price should be fixed.

Some producers have called for a minimum price of \$1.50 a lb, about 15 cents above the current world price, while others think the floor should be set at \$1.80. There seems very little prospect, however, of consumers accepting a floor price at anything like these levels.

Supply and demand is fairly well balanced at the moment and the time would appear to be right for some sort of compromise agreement. Consumers need protection against a new round of price escalation in the event of another major crop disaster, while growers could be threatened with diminishing returns resulting from a steady build-up in total production. It should not be impossible to agree on a scheme to keep both sides reasonably happy.

Richard Mooney



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Some of the delegates at the preliminary session of the International Coffee Organisation meeting in London last September.

**Brisk recovery in UK instant coffee sales**

THE UK instant coffee market has made a remarkable recovery following the traumatic period resulting from Brazil's 1975 frost disaster.

Between July, 1975, and March, 1977, raw coffee prices rose by 700 per cent, forcing the cost of instant coffee on the UK retail market up from 40p to £1.70 per 5oz jar. The same jar now costs 95-99p but sales are nearly back to pre-frost levels. The total UK market is now estimated to be worth £250m a year—its highest ever level.

In 1976 instant coffee sales fell by 2 per cent. But this figure is believed to have been distorted by "harder stocking" as housewives anticipated further price rises. The real crunch came in the following year when demand plummeted 25 per cent. The subsequent recovery has been equally dramatic. Sales were 18 per cent higher in 1978 and so far this year are running 29 per cent above the figure for the comparable period last year.

Nestlé, Britain's leading instant coffee company, believes 1979 could be a record year for sales, and General Foods, the other major branded coffee seller, claims the market is already better than ever before. The resurgence in retail demand appears to be an entirely natural economic phenomenon as neither company has stepped up its advertising effort.

Between them Nestlé (Nescafé) and General Foods (Maxwell House) account for nearly 60 per cent of Britain's retail coffee sales. Nestlé claims a 37 per cent share and General Foods over 22 per cent. Apart from these Sincific, a Lyons-Teley company, has 20-25 per cent (mainly sold under

retailers' own brand names) and Brooke-Bond another 8 per cent. Coffee processing is a raw material-intensive operation. At the peak of the supply crisis the cost of raw beans was estimated to represent about 85 per cent of the price of a jar of instant. The balance has now returned to more normal levels but the world coffee price is still the major influence on the cost of instant coffee.

It might seem surprising, therefore, that a 750 per cent rise in raw coffee prices resulted in a mere quadrupling of retail costs. This is explained partly by the fact that the major roasters bought very little coffee at the peak level and partly by a severe trimming of manufacturers' and retailers' profit margins as bean prices escalated.

This policy, which was undertaken in the hope of minimising the damage to basic demand for coffee, cost the manufacturers dearly. But just as they felt it necessary to cushion the consumer from the full force of the price rise they also felt bound to pass on the subsequent cost reductions at the earliest possible moment.

Nestlé claims its first price cut following the crisis, early last year cost it "millions of pounds". But costly as this policy was it is now paying dividends in the form of the extraordinary rapid recovery of the market. Further price cuts seem unlikely, however. The current cost of beans is roughly in line with retail coffee prices and unless world prices fall significantly, there is little incentive for further reductions.

Retail margins on coffee, which have always been tight, narrowed to a miserly 5 per

cent as prices escalated and surprisingly they have not risen much from this level. So there is little room for reductions in this area either.

But the manufacturers are naturally still keen to achieve further growth in their market and the possibility of producer-manufacturer co-operation towards this end is being seriously studied.

**Promotion**

Late last year a special International Coffee Organisation (ICO) meeting was called, at the request of the European Coffee Producers' Association, to examine ways of using ICO funds for coffee promotion.

The subject was divided into two broad areas: first, market information and research; secondly, promotion, public relations and education.

There seems some prospect of progress in the first area, with ICO funds being quite likely to be available. But the second proposition is regarded as more difficult.

Under its rules the ICO can provide only 30 per cent of any promotion costs. And since such a promotion would clearly have to be generic UK manufacturers are reluctant to provide the other half of the money.

The British market is dominated by instant coffee and advertising has tended to concentrate on trying to persuade the housewife that one brand is significantly different from, and better than, the others. Generic advertising at their own expense would go against the grain for British manufacturers.

Continent, however, as roast and ground coffee is the dominant product there. This less processed product clearly lends itself more readily to generic promotion.

While ICO-funded promotion seems to be ruled out in the UK, there could be scope for some sort of public relations exercise, which could be fully financed by the ICO. Such an operation would concentrate on the provision of information booklets, etc., local demonstrations and perhaps advice on the uses of coffee, rather than on direct advertising.

If the manufacturers appear quite confident about the prospects for the pure instant coffee markets they seem mildly disappointed at the recent performance of the coffee "mixtures" sector. Many such mixtures—supplementing coffee with chocolate, maize, barley and so on to reduce costs—were launched during the crisis, some with spectacular success.

Nestlé's "Elevenses," for instance, claimed over 10 per cent of the total UK instant coffee market within five weeks of its launch. The company was even more surprised that this brand continued to sell remarkably well when pure coffee prices began to subside. It seemed for a while that a new market had been discovered for a bland coffee-flavoured milk drink.

But further falls in real coffee prices have taken their toll of this "substitute" market and though "Elevenses," General Food's "Brim" and other mixtures will probably remain on the market for some time yet, sales are gradually tailing off.

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Table listing various unit trusts such as Abbey Unit Trst Mgrs, Allen Harvey & Ross Unit Trst Mgrs, and others, with columns for fund names and values.

Table listing insurance and property bonds companies like Abbey Life Assurance Co. Ltd., Ansonia Life Assurance Co. Ltd., and others, with columns for company names and details.

Table listing various financial services and trusts including Abbey Unit Trst Mgrs, Allen Harvey & Ross Unit Trst Mgrs, and others, with columns for fund names and values.

Table listing offshore and overseas funds such as Abbey Unit Trst Mgrs, Allen Harvey & Ross Unit Trst Mgrs, and others, with columns for fund names and values.

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NOTES

Notes providing additional information and disclaimers regarding the fund listings.

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BRITISH FUNDS

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FINANCIAL TIMES

Head Office: The Financial Times Limited, Brackley House, 10, Cannon Street, London EC4P 4BY. Includes information on editorial offices, subscription rates, and advertisement offices.

FT SHARE INFORMATION SERVICE

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Stewart Wrightson International Insurance Brokers for Aviation

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